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HOUSE OF REPRESENTATIVES
REPT. 101-190
Part 2

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT ACT OF 1989

SEPTEMBER 12, 1989.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 3]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3), to authorize appropriations to expand Head Start programs and programs carried out under the Elementary and Secondary Education Act of 1965 to include child care services, and for other purposes having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

In section 1(b) of the amendment, strike the item relating to title III and all that follows through "Sec. 658K. Definitions." and insert the following:

TITLE III—CHILD CARE

Sec. 301. Grants to States for child care.
Sec. 302. Expansion of earned income tax credit.
Sec. 303. National Advisory Committee on Model Child Care Standards.

In section 1(b) of the amendment, insert at the end the following:

TITLE VI—CHILD CARE STANDARDS IMPROVEMENT INCENTIVE GRANT PROGRAM AND DEMONSTRATION PROJECT

Sec. 601. Child Care Standards Improvement Incentive Grant Program; demonstration project.

In section 3(b)(1) of the amendment, strike "25" and insert "35".
In section 3(b)(2) of the amendment—
(1) strike "25" and insert "35"; and
(2) insert "and" after the semicolon.
Strike section 3(b)(3) of the amendment.
In section 3(b)(4) of the amendment, strike "(4) 15" and insert "(3) 30".
Strike title III of the amendment and insert the following:

TITLE III—CHILD CARE

SEC. 301. GRANTS TO STATES FOR CHILD CARE.

(a) ESTABLISHMENT OF PROGRAM.—Title XX of the Social Security Act (42 U.S.C. 1397 et seq.) is amended—

(1) by inserting after the title heading the following:

"SEC. 2000. PURPOSE OF TITLE; LIMITATION ON ENTITLEMENT.

"(a) PURPOSE OF TITLE.—The purpose of this title is to provide Federal assistance to States for a range of social services, with additional funds set aside for child care services.

"(b) LIMITATION ON ENTITLEMENT.—For payments to which States are entitled under this title, there are authorized to be appropriated to the Secretary—

"(1) $2,900,000,000 for fiscal year 1990, of which $200,000,000 shall be for payments under subtitle B;

"(2) $3,050,000,000 for fiscal year 1991, of which $350,000,000 shall be for payments under subtitle B; and

"(3) $3,100,000,000 for each fiscal year after fiscal year 1991, of which $400,000,000 shall be for payments under subtitle B.

"Subtitle A—Grants to States for Social Services"; and

(2) by adding at the end the following:

"Subtitle B—Grants to States for Child Care

"SEC. 2011. PAYMENTS TO STATES.

"(a) ENTITLEMENT.—

"(1) IN GENERAL.—Each State which is eligible for payments under this subtitle for a fiscal year shall be entitled to payments in an aggregate amount equal to the child care allotment of the State for such fiscal year.

"(2) ELIGIBILITY.—

"(A) FIRST 3 YEARS.—During the 3-year period beginning on the date of the enactment of this

subtitle, each State is eligible for payments under this subtitle.

"(B) AFTER 3 YEARS.—After the end of such 3-year period, a State shall be ineligible for any payment under this subtitle if the State has not demonstrated to the Secretary that all child care providers in the State who receive funds under this title and all other providers in the State who receive public funds for child care services—

"(i) are licensed or regulated as required by State or local law;

"(ii) comply with the minimum child care standards established by the State in accordance with section 2012(c); and

"(iii) are subject to the enforcement provisions in section 2012(i).

This subparagraph shall not be construed to require the training or licensing of any individual who provides child care solely to members of the family of the individual.

"(b) PAYMENTS.—The Secretary shall make payments to each State which is eligible for payments under this subtitle for a fiscal year from the child care allotment of the State under this subtitle for such fiscal year, in accordance with section 6503 of title 31, United States Code.

"SEC. 2012. STATE ADMINISTRATION.

"(a) ADMINISTRATION.—The State agency with primary responsibility for child care in the State shall administer the use of all payments made to the State under this subtitle.

"(b) USE OF PAYMENTS.—

"(1) IN GENERAL.—

"(A) 80 PERCENT FOR CHILD CARE SERVICES.—Each State which receives a payment under this subtitle shall use 80 percent of the amount of such payment to provide child care services in accordance with this subtitle.

"(B) 20 PERCENT FOR ADMINISTRATION, TRAINING, AND ENFORCEMENT.—Each State which receives a payment under this subtitle shall use 20 percent of the amount of such payment for child-care related administration and training, and for enforcing in accordance with subsection (i) the child care standards established by the State in accordance with subsection (c).

"(2) LIMITATIONS.—

"(A) CHILD CARE PROVIDERS AND SERVICES MUST MEET STATE STANDARDS AND REQUIREMENTS.—Each State which receives a payment under this subtitle may not use any part of any grant made under this subtitle for any child care services unless such services meet all applicable child care

standards and licensing and registration requirements—

"(i) during the 3-year period beginning on the date of the enactment of this subtitle, as established by State and local law; and

"(ii) after such 3-year period, as established by State and local law pursuant to subsection (c).

"(B) NO SUPPLANTING OF OTHER PUBLIC FUNDS FOR CHILD CARE SERVICES.—Each State which receives a payment under this subtitle shall not use such payment to supplant any other Federal or State funds used for child care services.

"(c) CHILD CARE STANDARDS.—Beginning 3 years after the date of the enactment of this subtitle, each State which receives a payment under this subtitle shall have in effect child care standards in each of the categories described in this subsection, which shall apply to all child care funded in the State under this title and all child care services delivered by providers in the State who receive public funds for child care services. Such categories are as follows:

"(1) CENTER-BASED CHILD CARE SERVICES.—Such standards with respect to child care services provided by center-based child care providers shall be limited to—

"(A) group size limits in terms of the number of caregivers and the number and ages of children;

"(B) the maximum appropriate child-staff ratios;

"(C) preservice qualifications and background of child care personnel;

"(D) requirements for inservice training in areas appropriate to the provision of such child care services;

"(E) health and safety requirements for children and caregivers, including requirements for—

"(i) the prevention and control of infectious diseases (including immunization and handwashing procedures);

"(ii) injury prevention, control, and treatment;

"(iii) building and physical premises safety;

"(iv) general health and nutrition;

"(v) children with special needs; and

"(vi) prevention of child abuse; and

"(F) requirements for parental involvement in licensed and regulated child care services.

"(2) FAMILY CHILD CARE SERVICES.—Such standards with respect to child care services provided by family child care providers shall be limited to—

"(A) the maximum number of children for which child care services should be provided and the maximum number of infants for which child care services should be provided;

"(B) the minimum age for caregivers;

"(C) requirements for inservice training in areas appropriate to the provision of such child care services, or participation in a provider organization that addresses child development and management issues; and

"(D) health and safety requirements for children and caregivers, including those described in paragraph (1)(E), as appropriate for family child care services.

"(3) GROUP HOME CHILD CARE SERVICES.—Such standards with respect to child care services provided by group home child care providers shall be limited to the matters specified in paragraphs (1)(B) and (2).

"(d) MINIMUM TRAINING REQUIREMENT.—Each State which receives a payment under this subtitle after the expiration of the 2-year period beginning on the date of the enactment of this subtitle shall require all child care providers (and the caregivers employed by such providers) who receive public funds for child care services and are required to be licensed or regulated in the State to complete annually an average of 15 hours of training. Such training shall be tailored to the needs of the State and the providers.

"(e) MARKET RATES.—Each State which receives a payment under this subtitle shall reimburse child care expenses at market rates, with higher reimbursements for infants and toddlers, children with disabilities, and comprehensive child care programs for children of adolescent parents.

"(f) SLIDING FEE SCHEDULE.—Each State which receives a payment under this subtitle shall establish a sliding fee schedule, based on income, for determining the amount a family will be required to pay for the delivery of child care services under this title.

"(g) CHILD CARE SERVICES TO BE PROVIDED AT NO COST TO FAMILIES WITH INCOMES BELOW POVERTY LINE.—Each State which receives a payment under this subtitle shall ensure that child care services which are provided to any family with income below the poverty line shall be provided at no cost to such family.

"(h) POLICIES AND PROCEDURES.—Each State which receives a payment under this subtitle shall develop policies and procedures designed to ensure that the State will not reduce—

"(1) the categories of child care providers licensed or regulated by the State on the date of the enactment of this subtitle; or

"(2) the level of standards applicable to child care services provided in the State and to the matters referred to in subsection (c), even if such standards exceed the standards required to be established by the State in accordance with subsection (c) unless the

State demonstrates, to the satisfaction of the Secretary, that the reduction is—

"(A) based on positive developmental practice; or

"(B) necessary to increase access to and availability of child care providers, and will not jeopardize the health and safety of children.

"(i) ENFORCEMENT.—Beginning 3 years after the date of the enactment of this subtitle, each State which receives a payment under this subtitle shall have in effect enforcement policies and practices that will apply to all child care funded in the State under this title and all child care services delivered by providers in the State who receive public funds for child care services, including policies and practices that—

"(1) require personnel who perform inspection functions with respect to licensed or regulated child care services to receive training in child development, health and safety, child abuse prevention and detection, the needs of children with a disability, program management, and relevant law enforcement;

"(2) impose personnel requirements to ensure that individuals who are hired as licensing inspectors are qualified to inspect and, to the maximum extent feasible, have inspection responsibility exclusively for children's services;

"(3) require personnel who perform inspection functions with respect to licensed or regulated child care services to make—

"(A) not less than 1 unannounced inspection annually of each center-based child care provider in the State; and

"(B) unannounced inspections annually, and during normal hours of operation, of not less than 25 percent of licensed and regulated family child care providers in the State;

"(4) require the ratio of licensing personnel to child care providers in the State to be maintained at a level sufficient to enable the State to conduct inspections of child care facilities and providers on a timely basis and otherwise to comply with the requirements of this subsection;

"(5) require licensed or regulated child care providers (including registered child care providers) in the State—

"(A) to have written policies and program goals and to make a copy of such policies and goals available to parents; and

"(B) to provide parents with unlimited access to their children whenever children of such parents are in the care of such providers;

"(6) implement a procedure to address complaints that will provide a reasonable opportunity for a parent, or child care provider, that is adversely affect-

ed or aggrieved by a decision of the agency described in subsection (a) or any program or activity assisted under this subtitle or, to the extent funds are used for child care services, under subtitle A, to be heard by the State;

"(7) prohibit the operator of a child care facility to take any action against an employee of such operator that would adversely affect the employment, or terms or conditions of employment, of such employee because such employee communicates a failure of such operator to comply with any applicable licensing or regulatory requirement;

"(8) make consumer education information available to inform parents and the general public about licensing requirements, complaint procedures, and policies and practices required by this subsection;

"(9) require a child care provider to post, on the premises where child care services are provided, the telephone number of the appropriate licensing or regulatory agency that parents may call regarding a failure of such provider to comply with any applicable licensing or regulatory requirement; and

"(10) require the State to maintain a record of parental complaints and to make information regarding substantiated parental complaints available to the public on request.

"(j) TIMING OF EXPENDITURES.—Except as provided in section 2013(c)(1), each State receiving a payment under this subtitle for a fiscal year shall expend such funds in such fiscal year or in the succeeding fiscal year.

"SEC. 2013. CHILD CARE ALLOTMENTS.

"(a) FORMULA FOR DETERMINING CHILD CARE ALLOTMENTS.—The child care allotment of any State which is eligible for payments under this subtitle for a fiscal year shall be—

"(1) the State share for such fiscal year; multiplied by

"(2) the child care set aside for such fiscal year.

"(b) DEFINITIONS.—

"(1) STATE SHARE.—The term 'State share' means, with respect to a State and a fiscal year—

"(A) the regular allotment of the State under section 2003 for such fiscal year; divided by

"(B)(i) the amount specified in section 2003(c) for such fiscal year; minus

"(ii) the aggregate of the regular allotments, under section 2003 for such fiscal year, of the States which are not eligible for payments under this subtitle for such fiscal year.

"(2) CHILD CARE SET ASIDE.—The term 'child care set aside' means—

"(A) $200,000,000 for fiscal year 1990;

"(B) $350,000,000 for fiscal year 1991; and

"(C) $400,000,000 for each fiscal year after fiscal year 1991.

"(c) REDISTRIBUTION OF UNEXPENDED CHILD CARE ALLOTMENTS.—

"(1) REMITTANCE TO THE SECRETARY.—Each State which receives any payment under this subtitle for a fiscal year shall remit to the Secretary that part of such payment which the State intends not to, or does not, expend in such fiscal year or in the succeeding fiscal year.

"(2) REDISTRIBUTION.—The Secretary shall increase the child care allotment of each State not remitting any amount to the Secretary for a fiscal year pursuant to paragraph (1) by an amount equal to—

"(A) the aggregate of the amounts so remitted; multiplied by

"(B) the adjusted State share for such fiscal year.

"(3) ADJUSTED STATE SHARE.—The term 'adjusted State share' means, with respect to a fiscal year—

"(A) the child care allotment of the State for such fiscal year (before any increase under paragraph (2)); divided by

"(B)(i) the child care set aside for such fiscal year; minus

"(ii) the aggregate of the amounts remitted to the Secretary for such fiscal year pursuant to paragraph (1).

"SEC. 2014. REPORTS AND AUDITS.

"(a) REPORTS ON INTENDED USES OF CHILD CARE ALLOTMENTS.—

"(1) IN GENERAL.—Before any State expends any payment made to the State under this subtitle for any fiscal year, the State shall report to the Secretary on the intended uses of such payment (including information on the types of activities to be supported, and the categories and characteristics of individuals to be served) and on any part of such payment which the State intends not to expend in such fiscal year or in the succeeding fiscal year.

"(2) PUBLICATION IN THE STATE.—The State shall make the report required by paragraph (1) public within the State in such manner as to facilitate comment by any person (including any Federal or other public agency) during the development of the report and after the completion of the report.

"(b) NOTICE TO SECRETARY OF UNEXPENDED CHILD CARE SET ASIDE.—Each State which has not completely expended the payments made to the State under this subtitle for a fiscal year in such fiscal year or the succeeding fiscal year shall notify the Secretary of any amount not so expended.

"(c) REPORTS ON ACTUAL USE OF CHILD CARE SET ASIDE.—

"(1) ANNUAL REPORTS.—

"(A) IN GENERAL.—Each State shall prepare reports annually, beginning with fiscal year 1992, on the activities of the State carried out with funds made available under this subtitle or (to the extent funds made available under subtitle A are expended for child care services) under subtitle A, covering the most recently completed fiscal year.

"(B) FORM AND CONTENT.—Each report required by subparagraph (A) shall be in such form and contain such information (including the information specified in paragraph (2)) as the State finds necessary—

"(i) to provide an accurate description of such activities;

"(ii) to secure a complete record of the purposes for which funds made available under this subtitle were spent; and

"(iii) to determine the extent to which such funds were spent in a manner consistent with the reports required by subsection (a).

"(C) AVAILABILITY OF COPIES.—The State shall make copies of each report required by this section available for public inspection within the State, shall transmit a copy of each such report to the Secretary, and shall provide a copy of each such report, on request, to any interested public agency.

"(D) SUBMISSION TO CONGRESS.—The Secretary shall annually compile the State reports transmitted to the Secretary pursuant to subparagraph (C), and submit such annual compilation to the Congress.

"(2) REPORTS TO CONTAIN CERTAIN SPECIFIC INFORMATION.—Each report prepared and transmitted by a State under paragraph (1) shall set forth with respect to child care services funded under this subtitle or subtitle A (for the fiscal year covered by the report)—

"(A) showing separately for center-based child care services, group home child care services, family child care services, and relative care services—

"(i) the number of children who received such services paid for, in whole or in part, with funds made available under this subtitle or subtitle A, grouped according to the average income of the families of such children as a percentage of the poverty line;

"(ii) the average cost and market rate, by geographical area, for child care services funded, in whole or in part, with funds made available under this subtitle or subtitle A; and

"(iii) the out-of-pocket costs for such services funded, in whole or in part, with funds made available under this subtitle or subtitle A, grouped according to the average income of the families of the children receiving such services as a percentage of the poverty line;

"(B) whether the recipients of each type of service specified in subparagraph (A) receive public assistance benefits, the extent to which such benefits are taken into account in determining the child care services benefit, and the effect of public assistance benefits on the child care services benefit;

"(C) income eligibility guidelines, sliding fee schedules, requirements for enrollment in school or training programs, and any other criteria applied in determining eligibility for, or priority in receiving, each type of service specified in subparagraph (A);

"(D) the methods by which each type of service specified in subparagraph (A) was provided;

"(E) the child care standards in effect in the State with respect to each type of service specified in subparagraph (A);

"(F) the child care licensing and regulatory (including registration) requirements in effect in the State with respect to each type of service specified in subparagraph (A); and

"(G) the enforcement policies and practices in effect in the State which apply to licensed and regulated child care providers (including providers required to register).

"(3) UNIFORM REPORTING REQUIREMENTS.—Within 12 months after the date of the enactment of this subtitle, the Secretary shall establish uniform reporting requirements for use by the States in preparing the information required by this subsection, and make such other provision as may be necessary or appropriate to ensure that compliance with this subsection will not be unduly burdensome on the States.

"(4) INTERIM REPORT.—The Secretary shall issue an interim report on the matters described in paragraphs (1) and (2) with respect to fiscal year 1991, based on information made available by the States.

"(d) AUDITS.—Each State shall, not less often than every 2 years, audit the expenditures of the State from payments made under this subtitle. Such audits shall be conducted by an entity independent of any agency administering activities funded under this subtitle, in accordance with generally accepted auditing principles. Within 30 days after each such audit is completed, the State shall submit a copy of such audit to the legislature of the State and to the Secretary. Each State shall repay to the United States amounts ultimately found not to have been expended in

accordance with this subtitle, or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this subtitle.

"(e) DEFINITIONS.—As used in this subtitle:

"(1) CENTER-BASED CHILD CARE PROVIDER.—The term 'center-based child care provider' means a child care provider that provides child care services in a nonresidential facility, and may include a nonprofit institution of higher education.

"(2) FAMILY CHILD CARE PROVIDER.—The term 'family child care provider' means 1 individual who provides child care services to a child who does not reside with such individual, as the sole caregiver and in the private residence of such individual.

"(3) GROUP HOME CHILD CARE PROVIDER.—The term 'group home child care provider' means 2 or more individuals who jointly provide child care services in a private residence to a child who does not reside with any of such individuals.

"(4) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' has the meaning given such term in section 481(a)(1) of the Higher Education Act of 1965, except that with respect to a tribally controlled community college such term has the meaning given it in section 2(a)(5) of the Tribally Controlled Community College Assistance Act of 1978.

"(5) POVERTY LINE.—The term 'poverty line' has the meaning given to such term in section 673(2) of the Community Services Block Grant Act.".

(b) CONFORMING AMENDMENTS.—

(1) Title XX of such Act (42 U.S.C. 1397 et seq.) is amended—

(A) by striking "this title" each place such term appears (except in section 2001 and the 3rd place such term appears in section 2002(d)) and inserting "this subtitle";

(B) by inserting "regular" before "allotment" each place such term appears;

(C) in section 2003(c)—

(i) in paragraph (3), by striking "and 1987, and for each succeeding fiscal year other than the fiscal year 1988; and" and inserting "1987, and 1989;";

(ii) in paragraph (4), by striking the period and inserting a semicolon; and

(iii) by adding at the end the following:

"(5) $2,900,000,000, for the fiscal year 1990;

"(6) $3,050,000,000, for the fiscal year 1991; and

"(7) $3,100,000,000, for the fiscal year 1992 and for each succeeding fiscal year."; and

(D) in section 2006(a), by striking "each such agency may provide its views on these reports" and inserting "the Secretary shall annually com-

pile the reports transmitted to the Secretary and submit such annual compilation".

(2) The heading of section 2001 of such Act (42 U.S.C. 1397) is amended by striking "TITLE" and inserting "SUBTITLE".

(3) The heading of section 2003 of such Act (42 U.S.C. 1397b) is amended by inserting "REGULAR" before "ALLOTMENTS".

SEC. 302. EXPANSION OF EARNED INCOME TAX CREDIT.

(a) GENERAL RULE.—Subsections (a) and (b) of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) are amended to read as follows:

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the earned income for the taxable year as does not exceed $5,714.

"(2) LIMITATION.—The amount of the credit allowable to a taxpayer under this subsection for any taxable year shall not exceed the excess (if any) of—

"(A) the credit percentage of $5,714, over

"(B) the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds $9,000.

"(b) PERCENTAGES.—

"(1) IN GENERAL.—For purposes of subsection (a)—

"In the case of an eligible individual with—	The credit percentage is—	The phaseout percentage is—
1 qualifying child.	17	12
2 qualifying children.	21	15
3 or more qualifying children.	25	18.

"(2) SUPPLEMENTAL YOUNG CHILD CREDIT.—In the case of a taxpayer with a qualifying child who has not attained age 6 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends—

"(A) the credit percentage shall be increased by 6 percentage points, and

"(B) the phaseout percentage shall be increased by 4.25 percentage points.".

(b) QUALIFYING CHILD DEFINED.—Subsection (c) of section 32 of such Code is amended by adding at the end thereof the following new paragraph:

"(3) QUALIFYING CHILD.—The term 'qualifying child' means any child (within the meaning of section 151(c)(3)) of the eligible individual if—

"(A) such individual is entitled to a deduction under section 151 for such child (or would be so entitled but for paragraph (2) or (4) of section 152(e)), and

"(B) such child has the same principal place of abode as such individual for more than one-half of the taxable year.".

(c) ADVANCE PAYMENT PROVISIONS.—

(1) PAYMENT BASED ON NUMBER OF QUALIFYING CHILDREN.—

(A) Subsection (b) of section 3507 of such Code is amended by striking "and" at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ", and", and by inserting after paragraph (3) the following new paragraph:

"(4) states the number of qualifying children (as defined in section 32(c)(3)) of the employee for the taxable year and whether any such child is described in section 32(b)(2).".

(B) Paragraph (2) of section 3507(c) of such Code is amended—

(i) by striking "14 percent" in subparagraphs (B)(i) and (C)(i) and inserting "the credit percentage",

(ii) by striking "subsection (b)" in subparagraph (B)(ii) and inserting "subsection (a)(2)", and

(iii) by adding at the end thereof the following new sentence:

"For purposes of this paragraph, the determination of the credit percentage under section 32(b), and the determination of the amounts referred to in subparagraph (B)(ii), shall be made on the basis of the information specified in the earned income eligibility certificate.".

(C) Clause (i) of section 3507(e)(3)(A) of such Code is amended by inserting before ", or" the following: "(or changing the percentages applicable to the employee under section 32(b) for the taxable year)".

(2) EXPANDED PARTICIPATION IN ADVANCE PAYMENT PROGRAM.—Subsection (e) of section 3507 of such Code (relating to furnishing and taking effect of certificates) is amended by adding at the end thereof the following new paragraph:

"(6) EMPLOYERS REQUIRED TO COLLECT CERTIFICATE OR STATEMENT OF INELIGIBILITY, ETC.—On or before the

date of commencement of employment with an employer, the employer shall require the employee to furnish to the employer a signed earned income eligibility certificate or a signed statement that such employee does not meet the requirements of paragraphs (1) and (2) of subsection (b). As of the beginning of each calendar year, the employer shall require each employee with respect to whom an earned income eligibility certificate is in effect to determine whether there has been a change in circumstances requiring a new certificate or revocation of such certificate.".

(3) REPEAL OF CALENDAR YEAR LIMITATION ON EFFECTIVENESS OF CERTIFICATE.—

(A) Subparagraphs (A) and (B) of section 3507(e)(1) of such Code are each amended by striking "had been in effect for the calendar year" and inserting "is in effect".

(B) Paragraph (2) of section 3507(e) of such Code is amended—

(i) by striking "for any calendar year", and

(ii) by striking "during such calendar year".

(d) COORDINATION OF EARNED INCOME CREDIT WITH MEANS-TESTED PROGRAMS.—Section 32 of such Code is amended by adding at the end thereof the following new subsection:

"(j) COORDINATION OF CREDIT WITH MEANS-TESTED PROGRAMS.—

"(1) FEDERAL MEANS-TESTED TRANSFER PAYMENTS TREATED AS SUPPORT PROVIDED BY TAXPAYER.—Solely for purposes of determining whether any credit is allowable to an individual under this section (and the amount of credit so allowable), Federal means-tested payments shall be treated as support provided by such individual.

"(2) CREDIT DISREGARDED IN DETERMINING BENEFITS UNDER OTHER MEANS-TESTED PROGRAMS.—Any refund of tax by reason of this section, and any payment made by an employer under section 3507, shall not be taken into account as income or receipts for purposes of determining the eligibility (for the month in which such refund or payment is made or any month thereafter) of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds. The preceding sentence shall apply only if the individual (or the family unit of which the individual is a member) is a recipient of benefits or assistance under such a program for the month before the month in which such refund or payment is made.".

(e) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 32(f) of such Code is amended—

(A) by striking "subsection (b)" each place it appears in subparagraphs (A) and (B) and inserting "subsection (a)(2)", and

(B) by adding at the end thereof the following new sentence:

"Separate tables shall be prescribed for taxpayers with 1 qualifying child, 2 qualifying children, 3 or more qualifying children, and any qualifying child who has not attained age 6.".

(2) Subparagraph (A) of section 32(i)(2) of such Code is amended by striking "or (ii)" in clause (i) and by striking "clause (iii)" in clause (ii) and inserting "clause (ii)".

(3) Subparagraph (B) of section 32(i)(2) of such Code is amended by striking clauses (i), (ii), and (iii) and inserting the following:

"(i) the $5,714 amounts contained in subsection (a), and

"(ii) the $9,000 amount contained in subsection (a)(2)(B).".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1990.

SEC. 303. NATIONAL ADVISORY COMMITTEE ON MODEL CHILD CARE STANDARDS.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—In order to improve the quality of child care services, the Secretary shall establish, not later than 60 days after the date of the enactment of this Act, the National Advisory Committee On Model Child Care Standards the members of which shall be appointed from among representatives of—

(A) persons who carry out various types of child care programs;

(B) persons who carry out resource and referral programs;

(C) child care and early childhood development specialists;

(D) early childhood education specialists and specialists in the education of children with a disability and children whose English language proficiency is limited as a result of their non-English language background;

(E) individuals who have expertise in pediatric health care, nutrition, disabilities, and related fields;

(F) organizations representing child care employees;

(G) individuals who have experience in the regulation of child care services;

(H) parents who have been actively involved in child care programs; and

(I) States.

(2) APPOINTMENT OF MEMBERS.—The Committee shall be composed of 21 members of which—

(A) 7 members shall be appointed by the President;

(B) 4 members shall be appointed by the majority leader of the Senate;

(C) 3 members shall be appointed by the minority leader of the Senate;

(D) 4 members shall be appointed by the Speaker of the House of Representatives; and

(E) 3 members shall be appointed by the minority leader of the House of Representatives.

Not less than ⅓ of the members of the Committee shall be appointed from among individuals described in paragraph (1)(H).

(3) CHAIRMAN.—The Committee shall appoint a chairman from among the members of the Committee.

(4) VACANCIES.—A vacancy occurring on the Committee shall be filled in the same manner as that in which the original appointment was made.

(b) PERSONNEL, REIMBURSEMENT, AND OVERSIGHT.—

(1) PERSONNEL.—The Secretary shall make available to the Committee office facilities, personnel who are familiar with child development and with developing and implementing regulatory requirements, technical assistance, and funds as are necessary to enable the Committee to carry out effectively its duties.

(2) REIMBURSEMENT.—

(A) Members of the Committee who are not regular full-time employees of the United States Government shall, while attending meetings and conferences of the Committee or otherwise engaged in the business of the Committee (including travel time), be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding the rate specified at the time of such service under GS–18 of the General Schedule established under section 5332 of title 5, United States Code.

(B) While away from their homes or regular places of business on the business of the Committee, such members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

(3) OVERSIGHT.—The Secretary shall ensure that the Committee is established and operated in accordance with the Federal Advisory Committee Act (5 U.S.C. App.).

(c) DUTIES.—The Committee shall—

(1) review Federal policies with respect to child care services and such other data as the Committee may deem appropriate;

(2) not later than 180 days after the date on which a majority of the members of the Committee are first appointed, submit to the Secretary proposed model standards described in subsection (d) for child care services, taking into account the different needs of infants, toddlers, and preschool and school-age children; and

(3) develop and make available to lead agencies, for distribution to resource and referral agencies in the State, model requirements for resource and referral agencies.

(d) RECOMMENDED CHILD CARE STANDARDS.—The proposed model child care standards submitted by the Committee pursuant to subsection (c)(2) and the model child care standards issued by the Secretary pursuant to subsection (e) shall be recommended standards and shall consist of only the following:

(1) CENTER-BASED CHILD CARE SERVICES.—Such standards submitted with respect to child care services provided by center-based child care provider shall be limited to—

(A) group size limits in terms of the number of caregivers and the number and ages of children;

(B) the maximum appropriate child-staff ratios;

(C) preservice qualifications and background of child care personnel;

(D) requirements for inservice training in areas appropriate the the provision of such child care services;

(E) health and safety requirements for children and caregivers, including requirements for—

(i) the prevention and control of infectious diseases (including immunization and handwashing procedures);

(ii) injury prevention, control, and treatment;

(iii) building and physical premises safety;

(iv) general health and nutrition;

(v) children with special needs; and

(vi) prevention of child abuse; and

(F) requirements for parental involvement in licensed and regulated child care services.

(2) FAMILY CHILD CARE SERVICES.—Such standards submitted with respect to child care services provided by family child care providers shall be limited to—

(A) the maximum number of children for which child care services should be provided and the maximum number of infants for which child care services should be provided;

(B) the minimum age for caregivers;

(C) requirements for inservice training in areas appropriate to the provision of such child care service; and

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(D) health and safety requirements for children and caregivers, including those described in paragraph (1)(E), as appropriate for family child care services.

(3) GROUP HOME CHILD CARE SERVICES.—Such standards submitted with respect to child care services provided by group home child care providers shall be limited to the matters specified in paragraphs (1)(B) and (2).

(4) LIMITATION.—The Committee shall not submit any standard under subsection (c)(2) and the Secretary shall not establish any standard under subsection (e) that is less or more rigorous than the least or most rigorous standard that exists in any of the States at the time of the submission or establishment of such recommendation.

(e) CONSIDERATION AND ESTABLISHMENT OF STANDARDS.—

(1) NOTICE OF PROPOSED RULEMAKING.—Not later than 90 days after receiving the recommendations of the Committee, the Secretary shall—

(A) publish in the Federal Register—

(i) a notice of proposed rulemaking concerning the model standards proposed under subsection (d) to the Secretary; and

(ii) such proposed model standards for public comment; and

(B) distribute such proposed model standards, for comment, to each lead agency and each State committee on child care licensing established under section 659G of the Child Care and Early Childhood Development Coordinating Activities Act.

(2) ESTABLISHMENT OF MODEL CHILD CARE STANDARDS.—

(A) The Secretary shall, in consultation with the Committee—

(i) take into consideration any comments received by the Secretary with respect to the model standards proposed under subsection (d); and

(ii) not later than 180 days after publication of such standards, shall issue rules establishing model child care standards for purposes of subtitle B of title XX of the Social Security Act. Such standards shall include nutrition requirements.

(B) The Secretary may amend any standard first established under subparagraph (A), except that such standard may not be modified, by amendment or otherwise, to make such standard less comprehensive or less stringent than it is when first established.

(3) ADDITIONAL COMMENTS.—The Committee may submit to the Secretary and to the Congress such addi-

tional comments on the model child care standards established under paragraph (2) as the Committee considers appropriate.

(f) TERMINATION OF COMMITTEE.—The Committee shall cease to exist 90 days after the date the Secretary establishes model child care standards under subsection (e)(2).

In section 401 of the amendment, strike ", as amended by section 301 of this Act,".

In section 401(1) of the amendment—

(1) strike "D, E, and F" and insert "C, D, and E"; and

(2) strike "E, F, and G" and insert "D, E, and F".

In section 401(2) of the amendment, strike "C" and insert "B".

In the heading of the subchapter proposed to be inserted by section 401(2) of the amendment, strike "D" and insert "C".

In the section 659C proposed to be inserted by section 401(2) of the amendment, strike subsection (a) and insert the following:

"(a) AMOUNTS RESERVED.—

"(1) TERRITORIES AND POSSESSIONS.—The Secretary shall reserve not to exceed one half of 1 percent of the amount made available under section 3(b)(3) of the Early Childhood Education and Development of 1989 in each fiscal year for payments to Guam, American Samoa, the Virgin Islands of the United States, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and Palau, to be allotted in accordance with their respective needs.

"(2) INDIANS.—The Secretary shall reserve an amount, not less than 1.5 percent and not more than 3 percent of the amount made available under section 3(b)(3) of the Early Childhood Education and Development Act of 1989 in each fiscal year, to carry out subsection (c) regarding Indian children.

"(b) STATE ALLOTMENT.—

"(1) GENERAL RULE.—From the remainder of the amount made available under section 3(b)(3) of the Early Childhood Education and Development Act of 1989 for each fiscal year, the Secretary shall allot to each State (excluding jurisdictions referred to in subsection (a)(1)) an amount equal to the sum of—

"(A) an amount that bears the same ratio to 50 percent of such remainder as the product of the young child factor of the State and the allotment factor bears to the sum of the corresponding products for all States; and

"(B) an amount that bears the same ratio to 50 percent of such remainder as the product of the school lunch factor of the State and the allotment factor bears to the sum of the corresponding products for all the States.

"(2) ALLOTMENT PERCENTAGE.—

"(A) IN GENERAL.—The allotment factor for a State is determined by dividing—

"(i) the per capita income of all individuals in the United States; by

"(ii) the per capita income of all individuals in the State.

"(B) LIMITATIONS.—If a sum determined under subparagraph (A)—

"(i) exceeds 1.2, then the allotment factor of that State shall be considered to be 1.2; and

"(ii) is less that 0.8, then the allotment percentage of the State shall be considered to be 0.8.

"(C) PER CAPITA INCOME.—For purposes of subparagraph (A), per capita income shall be—

"(i) determined at 4-year intervals;

"(ii) applied for the 4-year period beginning on October 1 of the first fiscal year beginning on the date such determination is made; and

"(iii) equal to the average of the annual per capita incomes for the most recent period of 3 consecutive years for which satisfactory data are available from the Department of Commerce at the time such determination is made.

"(c) PAYMENTS FOR THE BENEFIT OF INDIAN CHILDREN.—

"(1) INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—From the funds reserved under subsection (a)(2), the Secretary may, upon the application of an Indian tribe or tribal organization, enter into a contract with or make a grant to such Indian tribe or tribal organization for a period of 2 years, subject to satisfactory performance, to plan and carry out programs and activities that are consistent with this subchapter. Such contract or grant shall be subject to the terms and conditions of section 102 of the Indian Self-Determination Act (25 U.S.C. 450f) and shall be conducted in accordance with sections 4, 5, and 6 of the Act of April 16, 1934 (48 Stat. 596; 25 U.S.C. 655-657), that are relevant to such programs and activities.

"(2) INDIAN RESERVATIONS.—In the case of an Indian tribe in a State other than the States of Oklahoma, Alaska, and California, such programs and activities shall be carried out on the Indian reservation for the benefit of Indian children.

"(d) REALLOTMENTS.—

"(1) IN GENERAL.—Any portion of the allotment under subsection (b) to a State that the Secretary determines is not required to carry out a State plan approved under section 659E(d), in the period for which the allotment is made available, shall be reallotted by the Secretary to other States in proportion to the original allotments to the other States.

"(2) LIMITATIONS.—

"(A) REDUCTION OF EXCESS REALLOTMENTS.—The amount of any reallotment to which a State is en-

titled to under paragraph (1) shall be reduced to the extent that it exceeds the amount that the Secretary estimates will be used in the State to carry out a State plan approved under section 659E(d).

"(B) REALLOTMENT OF EXCESS REALLOTMENTS.—the amount of such reduction shall be similarly reallotted among States for which no reduction in an allotment or reallotment is required by this subsection.

"(3) AMOUNTS REALLOTTED.—For purposes of any other section of this subchapter, any amount reallotted to a State under this subsection shall be deemed to be part of the allotment made under subsection (b) to the State.

In the section 659E(c)(2)(E)(i) proposed to be inserted by section 401(2) of the amendment, strike "the Child Care Service For Infants, Toddlers, and Young Children Act" and insert "title XX of the Social Security Act".

In the section 659E(c)(4)(F) proposed to be inserted by section 401(2) of the amendment, strike "or the Child Care Services For Infants, Toddlers, and Young Children Act".

In the section 659E(c)(5)(A)(iv) proposed to be inserted by section 401(2) of the amendment, insert "and" after the semicolon.

In the section 659E(c)(5)(B) proposed to be inserted by section 401(2) of the amendment, strike "; and" and insert a period.

In the section 659E(c)(5) proposed to be inserted by section 401(2) of the amendment, strike subparagraph (C).

In the section 659E(c)(6)(C) proposed to be inserted by section 401(2) of the amendment, strike "the Child Care Services For Infants, Toddlers, and Young Children Act" and insert "title XX of the Social Security Act".

In the section 659F(a)(2)(E)(iii) proposed to be inserted by section 401(2) of the amendment, strike "the Child Care Services for Infants, Toddlers, and Young Children Act" and insert "title XX of the Social Security Act".

In the section 659G(c)(2)(B)(iii) proposed to be inserted by section 401(2) of the amendment, strike "658H(c)(2) of the Child Care Services For Infants, Toddlers, and Young Children Act" and insert "303 of the Early Childhood Education and Development Act of 1989".

In the section 659I(b)(1) proposed to be inserted by section 401(2) of the amendment, strike "the Child Care Services For Infants, Toddlers, and Young Children Act" and insert "title XX of the Social Security Act".

In the section 659I(d)(3) proposed to be inserted by section 401(2) of the amendment, strike "the Child Care Services For Infants, Toddlers, and Young Children Act" and insert "title XX of the Social Security Act".

In the section 659L(a)(2) proposed to be inserted by section 401(2) of the amendment, insert "or" after the semicolon.

In the section 659L(a) proposed to be inserted by section 401(2) of the amendment, strike paragraph (3) and redesignate paragraph (4) as paragraph (3).

In the section 659M(2) proposed to be inserted by section 401(2) of the amendment, strike "the Child Care Services For Infants, Toddlers, and Young Children Act" and insert "subtitle B of title XX of the Social Security Act".

In the section 659P(7) proposed to be inserted by section 401(2) of the amendment—

(1) strike "4" and insert "3"; and

(2) strike "658F(a) of the Child Care Services For Infants, Toddlers, and Young Children Act" and insert "section 2012(c) of the Social Security Act".

At the end of the amendment, add the following:

TITLE VI—CHILD CARE STANDARDS IMPROVEMENT INCENTIVE GRANT PROGRAM AND DEMONSTRATION PROJECT

SEC. 601. CHILD CARE STANDARDS IMPROVEMENT INCENTIVE GRANT PROGRAM; DEMONSTRATION PROJECT.

(a) GRANT PROGRAM.—

(1) IN GENERAL.—On October 1, 1989, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall establish a child care standards improvement incentive grant program to make grants to eligible States to assist such States in improving State child care standards in the categories described in section 2012(c) of the Social Security Act.

(2) ELIGIBILITY.—To be eligible to receive a grant under this subsection, the State desiring the grant shall prepare and submit to the Secretary an application at such time, in such form, and containing such information as the Secretary shall require, including—

(A) an assurance that the State will meet the requirements of paragraph (4)(C);

(B) information that shall—

(i) describe the present level of child care standards that are in effect in the State;

(ii) describe the prospective use of such grant; and

(iii) describe the expected improvement in the child care standards of the State;

(C) an assurance that the State will use any amounts received under a grant under this subsection to specifically improve its child care standards; and

(D) any other information that the Secretary determines appropriate.

(3) CONSIDERATION AND AWARDING OF GRANTS.—

(A) INITIAL GRANTS.—The Secretary shall consider applications submitted by States under para-

graph (2), and shall award the initial grants under this section to States on a competitive basis after considering the following criteria:

(i) The relative quality of the existing child care standards of the State as described in the application in comparison to such standards of other States that submit applications.

(ii) The level of child care standards that the State desires to adopt and the State plans for achieving this improved level of standards.

(iii) The relative fiscal capacity of the State in comparison to that of other States that submit applications.

(B) SUBSEQUENT GRANTS.—In determining whether a State that submits an application under paragraph (2) for a subsequent grant under this subsection after the expiration of the previous grant, the Secretary shall award such grant based on the compliance of the State with the application for the previous grant. The Secretary may award a subsequent grant to a State that has not complied with such application of the State if the Secretary determines that factors beyond the control of the State significantly contributed to such noncompliance.

(4) AMOUNT OF GRANT.—

(A) IN GENERAL.--The Secretary shall pay each State awarded a grant under the program established under this subsection 80 percent of the costs to be incurred with respect to activities carried out under the grant.

(B) STATE CONTRIBUTION.—Each State awarded a grant under the program established under this subsection shall, from non-Federal sources, pay 20 percent of the costs to be incurred with respect to activities carried out under the grant.

(C) LIMITATION.—A State may not require any private provider of child care services that receives or seeks funds made available under title XX of the Social Security Act to contribute in cash or in kind to the State contribution required by subparagraph (B).

(5) USE OF GRANTS.—

(A) IN GENERAL.—Each State that receives a grant under this subsection shall use amounts provided under such grant to specifically carry out the State's application for improving child care standards, as submitted by the State under paragraph (2).

(B) SPECIFIC USES.—In meeting the requirement of subparagraph (A), a State may use such amounts for any activity which is directly related to the State's application for improving child care standards.

(6) ADMINISTRATIVE PROVISIONS.—

(A) TERM OF GRANTS.—Grants made under the program established under this subsection shall be for a 2-year period with no State receiving more than 3 consecutive grants.

(B) TERMINATION.—The grant program established under this subsection shall terminate 8 years after the date of the enactment of this Act.

(b) DEMONSTRATION PROJECT.—

(1) AUTHORITY TO MAKE DEMONSTRATION GRANTS.—The Secretary may make grants to not more than 10 eligible public agencies and private entities, in urban and rural areas, to administer child development models.

(2) APPLICATION FOR GRANT.—To be eligible to receive a grant under paragraph (1), a public agency or private entity (in this subsection referred to as the "applicant") shall submit to the Secretary an application that contains at least the following:

(A) Information demonstrating that the applicant has established, or will establish, a child development model.

(B) A detailed plan for the recruitment, training, and support of family child care satellites that will participate in such model.

(C) An assurance that each family child care satellite will be required by the applicant, as conditions of participating in such model—

(i) to pay to the applicant a minimal annual fee; and

(ii) to enter into a contract with the applicant requiring such satellite to provide high quality child care services to children for whom it provides child care services.

(D) A detailed plan for the continuing evaluation of such model and such satellites.

(E) A plan specifying in detail the expenditures the applicant will make, as part of administering a child development model, with such grant throughout a 2-year period.

(F) An assurance that resource materials acquired by such model with a grant received under paragraph (1) will be made available to any child care provider in the community.

(G) An assurance that with respect to each of the following categories of children, there is at least 1 participating satellite that will provide child care services:

(i) Children who are ill but not terminally ill.

(ii) Children who do not speak English as their primary language, if there is a reasonable number of such children in the geographi-

cal area in which such model will be administered.

(iii) Children who have a handicapping condition.

(H) An assurance that the applicant will recruit, train, monitor, and provide support for not fewer than 20, and not more than 35, family child care satellites.

(I) An assurance that the applicant will provide to each participating satellite training with respect to the following:

(i) Basic child development, including physical development, social and emotional development, intellectual development, and language development.

(ii) Developmentally appropriate activities.

(iii) Developmentally appropriate problem solving.

(iv) Providing family child care services as a business.

(J) Information describing the demographics of the population in the geogrpahical area in which such model will be administered.

(K) An assurance that the applicant will prepare and submit to the Secretary, by such date as the Secretary may specify, the report required by paragraph (3)(B).

(L) Such information and assurances as the Secretary may require by rule.

(3) EVALUATION AND REPORT.—

(A) EVALUATION.—Each applicant that receives a grant under paragraph (1) shall evaluate each family child care satellite that participates in the child development model administered by the applicant. Such evaluation shall include—

(i) a determination, based on making monthly visits (with and without advance notice to such satellite), whether—

(I) the child care services provided by such satellite are appropriate for the ages of the children to whom such services are provided;

(II) the interaction of the staff of such satellite with such children is of good quality; and

(III) such satellite is providing nutritional food to such children to satisfy their needs;

(ii) a determination of the extent to which the communityc luster of which such model is a part—

(I) expands the availability of quality child care for working families;

(II) encourages quality and professionalisms in child care;

(III) encourages the emotional security of sustained relationships between children and child care providers;

(IV) serves as a model and information center for current and potential child care providers; and

(V) educates family child care providers on matters relating to quality child care; and

(iii) such other information as the Secretary may require by rule.

(B) REPORT.—In accordance with rules issued by the Secretary, submit to the Secretary a detailed description of the results of the evaluation conducted under subparagraph (A).

(4) REPORT BY THE SECRETARY.—Not later than April 11, 1992, the Secretary shall submit to the Congress a report describing the operation of the child development models that received grants under pargraph (a) and summarizing the evaluations received under paragraph (3)(B) by the Secretary.

(5) DEFINITIONS.—As used in this subsection:

(A) CHILD CARE DEVELOPMENT CENTER.—The term "child care development center" means a center-based child care provider that provides child care services that include educational activities that are appropriate to the ages of participating children.

(B) CHILD DEVELOPMENT MODEL.—The term "child development model" means—

(i) a child care development center that—

(I) provides child care services at a single site (or at multiple sites in reasonably close proximity) to infants, toddlers, preschool children, and school-age children; and

(II) is capable of providing training and on-going assistance to satellites that provide child care services to sick children or to exceptional children; or

(ii) a high quality child care program that is capable of—

(I) recruiting, training, supporting, and monitoring family child care providers; and

(II) providing training and on-going assistance to satellites that provide child care services to sick or exceptional children.

(C) COMMUNITY CLUSTER.—The term "community cluster" means a child development model to-

gether with not fewer than 20, and not more than 35 family child care satellites.

(D) FAMILY CHILD CARE SATELLITE.—The term "family child care satellite" means a licensed or unlicensed family child care provider who is—

(i) capable of providing high quality child care services, as defined by such child development model; and

(ii) monitored and evaluated regularly by such child development model.

(E) HIGH QUALITY CHILD CARE PROGRAM.—The term "high quality child care program" means a child care program in which—

(i) participating children are well nourished;

(ii) the health of participating children is monitored;

(iii) participating children are supervised;

(iv) participating children have adequate space;

(v) ample equipment for learning is provided to participating children;

(vi) materials are incorporated into the child care environment in ways that are appropriate to the ages of participating children;

(vii) staff members who carry out such program have training in child development and teaching methods;

(viii) appropriate salaries and benefits are available to staff members;

(ix) such program is well planned and well organized;

(x) such program provides to parents unlimited access to their children while their children are receiving child care services provided by such program;

(xi) the number of participating children is appropriate; and

(xii) the ratio of staff members to participating children is appropriate.

(F) RESOURCE MATERIAL.— The term "resource material" means a printed or nonprint material relating to—

(i) child development or providing child care services; or

(ii) practical or legal matters applicable to the operation of a child care provider, including management, taxation, and insurance;

(G) SUPPORT.—The term "support" means—

(i) access to a toy lending library;

(ii) regular inservice programs on topics related to providing child care services;

(iii) development of a family child care satellite support group; and

(iv) regular visits from a resource specialist.

(c) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—
(1) IN GENERAL.—For grants under this section, there are hereby authorized to be appropriated to the Secretary not to exceed $75,000,000 for each of fiscal years 1990 through 1997.
(2) DEMONSTRATION PROJECT.—2 percent of the amounts appropriated for each fiscal year pursuant to paragraph (1) shall be used to make grants under subsection (b) in such fiscal year.

I. INTRODUCTION

A. PURPOSE AND SCOPE OF THE AMENDMENTS

The Early Childhood Development and Education Act of 1989, H.R. 3, was reported by the Committee on Education and Labor and sequentially referred to the Committee on Ways and Means on July 27, 1989.

The Committee on Ways and Means ordered that H.R. 3 be favorably reported, with amendments, on September 7, 1989. The amendments by the Committee on Ways and Means have several purposes: (1) to guarantee Federal funding for child care services; (2) to prevent the unnecessary duplication of Federal child care programs; and (3) to provide income support to low-income working families with children.

Under the rules of the House of Representatives, the Committee on Ways and Means has jurisdiction over programs that provide cash benefits to poor children and several other programs designed to help families escape poverty. Among these are the Social Services Block Grant (Title XX of the Social Security Act), child care for recipients of Aid to Families with Dependent Children, and the earned income tax credit. The Committee also has responsibility for the dependent care tax credit, the largest source of Federal support for child care.

The Committee on Ways and Means amendments to H.R. 3 do not make substantive changes to Titles I, II, IV, or V of the bill as reported by the House Education and Labor Committee. The Committee does, however, propose to reallocate the $1.75 million authorization and provide that appropriations to carry out the bill be divided as follows: (1) 35 percent for Title I to amend and expand the Head Start program; (2) 35 percent for Title II to amend the Elementary and Secondary Education Act of 1965; and (4) 30 percent for Title IV for child care coordinating activities.

The Committee amendments strike Title III of the bill as reported by the Committee on Education and Labor, except that it would retain the provision which establishes a National Advisory Committee on Child Care Standards, with a minor amendment. As a substitute for Title III, the Committee proposes to increase the entitlement authority for the Social Services Block Grant (authorized by Title XX of the Social Security Act) by $200 million in fiscal year 1990, $350 million in fiscal year 1991, and $400 million in fiscal year 1992 and thereafter, and earmark the increase for child care services targeted at low-income families.

Title III as amended by the Committee on Ways and Means also expands the earned income tax credit (EITC) and varies the credit

by three familly sizes, to target $415 million in fiscal year 1991, and $4,673 million by fiscal year 1994, to poor and near-poor working families.

Finally, the bill as amended by the Committee on Ways and Means includes a new Title VI, authorizing a $75 million incentive grant program to assist States in improving child care standards (2 percent of the appropriation would be earmarked for a child development systems demonstration project).

B. BACKGROUND AND NEED FOR LEGISLATION

Expanding the Title XX Social Services Block Grant

In 1970, less than half of all mothers with a child under age 18 participated in the labor force. By 1987, however, a significant majority of mothers—close to 65 percent—were labor force participants. Even in families with very young children, a working mother was a common phenomenon. A majority of mothers (57 percent) with children under age 6 were working or looking for work when the Department of Labor conducted its survey in March of 1987. This phenomenal increase in the number of working mothers means that more and more parents are relying on others to care for their children for a portion of the work day.

As the demand for child care has increased, child care has become a national concern. Of utmost consideration is the cost of quality child care. While many families are able to rely on relatives to provide "free" care, a large percentage of families in which a mother works—including low-income families—must rely, at least in part, on paid care.

The cost of child care is a burden borne disproportionately by low-income families. Recent data from the Survey of Income and Program Participation show that among families who must purchase child care, low-income families tend to spend less than higher-income families. However, as a percent of their income, they spend considerably more, a fact that can significantly reduce the incentive to work among these families. For example, half of all families with below-poverty incomes who purchase child care spend 20 percent or more of their income on child care. By contract, families with incomes equal to at least four times the poverty level on average spend slightly more than 4 percent of their income on child care.

In addition to cost, the availability of quality child care is a concern. At a child care hearing held by the Committee on June 9, 1988, witnesses testified that many parents find it difficult, if not impossible to find day care for their children, and that among those who do find child care, many are not satisfied with the arrangement.

The amendments by the Committee on Ways and Means would provide additional funds under the Title XX Social Services Block Grant, a capped entitlement program, to help alleviate each of these problems. The additional entitlement funds, which would be earmarked for child care, would encourage the development and availability of child care services in the States, and would also alleviate the child care cost burden for low-income families by making the services available on a sliding-fee basis.

The Committee believes that the Title XX program is a proven mechanism for child care: States have more than ten years experience delivering child care through the program. Almost all States currently use some of their Title XX grant to provide child care services to families, and many States have contributed a significant amount of additional State funds to the Title XX child care funding stream.

Under Title XX, each State has determined how the funds are distributed, and by which method (e.g., contracts, vouchers, grants). Furthermore, States have established methods for targeting their child care resources to those families most in need. "Sliding fee schedules" based on family income and size are well-tested and have been designed to meet each individual States' needs. Thus, Title XX allows each State considerable flexibility in addressing its unique child care problems, at the same time it provides support to families.

Expanding the Earned Income Tax Credit

Today, roughly 18 million poor adults and children live in households in which someone works during the year, and about 5 million poor individuals live in households in which someone works full-time, year-round. Working families make up close to 60 percent of the poverty population.

Over the past decade and a half, the number of families that work, and yet remain poor, has increased considerably for a number of reasons. Data from the Census Bureau show that the number of working age individuals (persons ages 22 to 64) who work but are still poor was 44 percent larger in 1987 than 1978. Moreover, the number of people working full-time year-round who are still poor increased more than 43 percent between 1978 and 1987. These numbers are a concern to all who believe that hard work should enable a family to support itself because they reveal that the payoff from work is decreasing for those at the bottom of the economic ladder.

The idea that a family might work hard and yet remain poor offends many Americans who believe that hard work should enable a family to support itself. Virtually no one will argue against the notion that the working poor should be able to live more comfortably that those who do not work at all, that they should be rewarded and not punished.

During its 1989 hearings on the problems of the working poor, the Committee learned that the earned income tax credit is a particularly efficient technique for assisting the working poor and near-poor. The earned income tax credit is an easy concept to grasp: it provides low-income families with a tax credit for every dollar they earn, acting as a wage subsidy for these families and increasing family income. Not only was the EITC designed to provide tax relief to low-earning families with children, but it was also designed to provide incentives to work. A family has to work to get the credit in the first place, and over a certain income range, the more the family earns, the larger the benefit it receives.

In addition to its work incentive benefits, the EITC is relatively easy to administer. The committee understands the importance of administrative simplicity to assure the widest use of the credit by

low-income working families. The committee believes its provisions balance the need for simplicity with the goal of providing greater financial support for larger families and families with young children.

The EITC expansion will especially help two-parent families, since the working poor are usually found in two-parent families. But the proposal's other great achievement would be to help make work pay off for single-parent families on welfare—who often do worse by going to work than remaining on welfare.

The committee recognizes that the obligation of caring for young children places additional financial burdens on low-income working families. Thus the committee has proposed to adjust the earned income credit for family size so that a larger amount of the credit is available to families with young children and a larger number of children. As currently structured, the EITC provides much less assistance to large families relative to the poverty line than it provides to small families. Expanding the credit and varying it by family size is a pro-family move that recognizes that large families need more income to escape poverty than smaller families.

An expanded EITC, adjusted for family size, will offer families greater freedom in their choice to work. For some families, it will enable a second earner to stay home and care for his or her children. In others, it will help cover expenses that make it difficult for parents to enter the workforce—in particular, child care. Either way, families will have more support as they do one of the most important jobs in the economy: raise the next generation.

II. Detailed Explanation of the Committee Amendments

The Committee amendments made no substantive changes in Titles I, II, IV, or V of H.R. 3, as reported by the House Education and Labor Committee, although technical and conforming changes are made.

With respect to Title III of H.R. 3, as reported by the House Education and Labor Committee, the Committee amendments strike all of Titles III but retain the requirement for a national advisory committee on model child care standards, with a minor amendment. Title III would be replaced with an earmarked increase in the Title XX Social Services Block Grant and an expansion of the earned income tax credit.

The Committee amendments would also delete the requirement that 35 percent of the funds appropriated be spent on Title III of the bill; instead, appropriations to carry out H.R. 3 would be divided as follows:

35 percent for expanded Head Start services and activities under Title I of H.R. 3;

35 percent for Early Childhood Development and School Related Child Care programs under Title II; and

30 percent for Coordinating Activities under Title IV.

Finally, the Committee amendments would add a new Title IV to H.R. 3, authorizing funding for an standards improvement incentive grant to the States.

Below, the social services block grant expansion, the amendments to the earned income tax credit and the standards improve-

ment incentive grant are described in detail and compared to present law.

GRANT TO STATES FOR CHILD CARE SERVICES

Present law.—Child care spending under the Title XX Social Services Block Grant is estimated to be the second largest Federal source of funding for general child care services (the dependent care tax credit is the largest). Under Title XX of the Social Security Act, States are entitled to receive social services block grant funds. These funds must be used to provide services directed at achieving five national goals: preventing or reducing dependency; achieving self-sufficiency; preventing or remedying neglect, abuse or exploitation of children and adults; preventing or reducing inappropriate institutional care; and providing services or referrals to individuals in institutions.

Title XX is a capped entitlement; funds are currently limited to $2.7 billion annually. (Note: As part of its reconciliation bill the Committee has approved a separate increase in the entitlement ceiling; under the Committee's plan, by 1993 the basic entitlement ceiling will reach $3.3 billion.) Nearly all States use a portion of their Title XX funds to provide child care assistance to needy families.

Explanation of Provision.—The Committee amendments would permanently increase funds for Title XX of the Social Security Act by $200 million for fiscal year 1990; $350 million for fiscal year 1991 and $400 million for fiscal year 1992 and each subsequent year. These additional funds would be earmarked for child care, are in addition to the basic increases approved by the Committee as part of the budget reconciliation legislation, and could not be used to supplant Federal and State funds currently used for child care. States would have two fiscal years to expend a given fiscal year allocation. States would be required to use 80 percent of the monies for child care services; the remaining 20 percent would be used for child care-related administration and training as well as enforcement of child care standards.

Child care expenses would be reimbursed at market rates, with higher reimbursements for infants and toddlers, children with disabilities, and comprehensive child care programs for children of adolescent parents. States would be required to establish a sliding fee schedule for the delivery of child care services and must assure that such services are provided at no cost to families with incomes below the poverty level. The State agency with primary responsibility for child care would administer these funds.

Before expending the allocation, the State would report to the Secretary on the intended uses of the payment, and the amount of any payment which the State does not intend to expend. Unexpended funds would be reallocated to others States. Annually, beginning for FY 1992, each State must report to the Secretary on the child care activities actually carried out with Title XX funds. The report must provide certain specific information, including the number of children receiving services, grouped by family income as a percent of the poverty line; the average cost and market rate of child care services; out-of-pocket costs for services by family income

level as a percent of the poverty line; the criteria applied in determining eligibility for services; the methods of service provision; child care standards; licensing and regulatory requirements; and enforcement policies and practices.

A State that receives funds earmarked for child care under Title XX must, beginning three years after enactment, have in effect State child care standards that address all of the matters specified below (see paragraph which describes the required categories for State standards). The standards must apply to all Title XX-funded child care and to any child care services delivered by providers that receive public funds for child care services. Each provider who receives funds earmarked for child care under Title XX must also comply with all applicable State and local licensing or regulatory requirements (including registration requirements). The Committee does not consider child care to include camping.

A State would be ineligible for the additional Title XX funds beginning three years after enactment unless it demonstrates that all Title XX-funded child care providers and all other providers that receive public funds for child care services are: (1) licensed or regulated as required by State and local law; (2) satisfy any applicable State standards; and (3) are subject to certain enforcement provisions (see below).

There would exist no requirement, or mandate on the States to require, the training or licensing of individuals who provide child care to members of their families.

The required categories for State child care standards would be the following:

a. Center-based Child Care Services

—Group size limits in terms of the number of caregivers and number and ages of children;
—Maximum appropriate child-staff ratios;
—Qualifications and background of child care personnel;
—Requirements for inservice training;
—Health and safety requirements, including requirements for the prevention and control of infectious diseases (including immunization and hand washing procedures), injury prevention and treatment, building and physical permises safety, general health and nutrition, children with special needs, and prevention of child abuse; and
—Requirements for parental involvement in licensed and regulated child care services.

b. Family Child Care Services

—Maximum number of children and maximum number of infants for whom child care services should be provided;
—Minimum age of caregivers;
—Requirements for inservice training or participation in a provider organization that addresses child development and management issues; and
—Health and safety requirements (including those described above for center-based child care services, as are appropriate for family child care services).

c. Group Home Child Care Services

—Maximum appropriate child staff ratios;
—Maximum number of childern and maximum number of infants for whom child care services should be provided;
—Minimum age of caregivers;
—Requirements for inservice training or participation in a provider organization that addresses child development and management issues; and
—Health and safety requirements (including those described above for center-based child care services, as are appropriate for group home child care services).

Beginning 2 years after enactment, any State that receives the earmarked Title XX funds must require that all Title XX child care providers and any other child care providers that receive public funds for child care services, and the caregivers employed by such providers, complete an average of 15 hours of training annually. Such training must be tailored to the needs of the State and the providers.

The State may not reduce the categories of child care providers licensed or regulated by the State on the date of enactment, or reduce the level of standards applicable to child care services provided in the State, unless the State demonstrates, to the satisfaction of the Secretary, that the reduction is: (1) based on positive developmental practice; or (2) necessary to increase access to and availability of child care providers and will not jeopardize the health and safety of children.

Not later than 3 years after enactment, the State must have in effect enforcement policies and practices that would apply to all child care funded under Title XX and all child care services delivered by providers who receive public funds for child care services, including certain specific policies and practices (e.g., every State must make one unannounced inspection of each center-based provider in the State annually, and make unannounced inspections annually of not less than 25 percent of licensed and regulated family child care providers).

Effective date.—The provision is effective beginning fiscal year 1990.

EXPANSION OF THE EARNED INCOME TAX CREDIT (EITC)

Present law.—An eligible individual who maintains a home for one or more children is allowed an advance refundable tax credit based on the taxpayer's earned income (Code sec. 32 of the Internal Revenue Code). In 1989, the earned income tax credit (EITC) is equal to 14 percent of the first $6,500 of earned income. The credit is phased out at a rate of 10 percent of the amount of adjusted gross income (or, if greater, the earned income) that, in 1989, exceeds $10,240. The $6,500 and $10,240 amounts are adjusted annually for inflation, so that the maximum amount of credit and the maximum amount of income eligible for the credit increase with inflation.

The credit is available to married individuals filing a joint return who are entitled to a dependency exemption for a child, a head of household, and a surviving spouse. In order to be eligible to claim a

dependency exemption, the taxpayer, in general, must provide over half of the support for the child. For this purpose, benefits under the Aid to Families with Dependent Children (AFDC) program are not considered support provided by the taxpayer. Thus, if more than half of the taxpayer's own income is from AFDC or sources other than the taxpayers's own income, the earned income tax credit generally is not available.

Explanation of provision.—The amendments increase the amount of the earned income tax credit and adjust the credit for family size. Using the present law income breakpoints, the credit and phaseout percentages are increased according to the number of qualifying children of the eligible individual as follows:

Number of children	Credit percentage	Phaseout percentage	Projected maximum credit amount
1	17	12	$1,217
2	21	15	1,504
3 or more	25	18	1,790

Note.—The maximum credit amounts are projections for calendar year 1991. The maximum present law credit is projected to be $1,002 in 1991. The actual maximum amounts will depend on future inflation adjustments.

A qualifying child is generally a child for whom the eligible individual is entitled to a dependency exemption (except that certain children in custodial arrangements will still be treated as a qualifying child to the custodial parent) and who has the same principal place of abode as the eligible individual for at least half the year. Solely for purposes of determining eligibility for the EITC, Federal means-tested transfer payments shall be treated as support provided by the individual in meeting the dependency requirement for the determination of a qualifying child. Under the amendments, for example, AFDC payments received by a parent are counted as support provided by the parent and may make the parent eligible for the EITC even though a personal exemption for the dependent may not be claimed for the child.

If any of the taxpayer's eligible children are under the age of 6 as of the close of the taxpayer's taxable year, the amendments provide a further credit amount. This supplemental young child credit amount is available in addition to the amount determined by family size. Using present law breakpoints of $6,506 and $10,240, as adjusted for inflation, the supplemental young child credit provides an additional credit percentage of 6 percent and an increased phaseout percentage of 4.25 percent. Thus, the maximum amount of supplemental young child care credit is projected to be $430 per family in 1991.

In order to increase utilization of the advanced payment system, the amendments require employers to obtain from all new employees certification of their eligibility for advance payments of the earned income tax credit. The certificates will remain in effect until changed. The amendments also require employers to obtain, on an annual basis, updated certifications of advance payment eligibility from those employees already receiving advance EITC payments.

The amendments provide that the amount of the earned income tax credit is not treated as income for purposes of determining eli-

gibility for Federal means-tested programs or for State and local means-tested programs financed in whole or in part with Federal funds.

Recognizing the importance of administrative simplicity for the efficient operation of the EITC to both employers and individual taxpayers, the committee intends that the Secretary of Treasury shall prescribe the simplest tables and forms necessary to implement the intention of this provision.

Effective date.—The provision is effective for taxable years beginning after December 31, 1990.

CHILD CARE STANDARDS IMPROVEMENT INCENTIVE GRANT AND DEMONSTRATION PROJECT

Present law.—No provision.

Explanation of provision.—The Committee amendments would add a new Title VI to H.R. 3, which would, beginning with fiscal year 1990, authorize a Child Care Standards Improvement Incentive Grant Program to assist States in improving child care standards. Grants would be for a 2-year period with no State receiving more than 3 consecutive grants.

Also beginning in fiscal year 1990, the Secretary would be authorized to make grants for a Child Development Systems Demonstration Program. Under the program, grants would be made annually to not more than 10 eligible public or private entities, in urban and rural areas, to administer child development systems in which high quality child development centers become a mentor for a network of smaller community centers and family day care providers for the purpose of improving the quality of child care and assuring greater continuity and parental involvement.

Expenditures of $75 million annually would be authorized for the Child Care Standards Improvement Incentive Grant Program of which 2 percent would be earmarked for the Child Development Systems Demonstration Program. The authorization would extend through fiscal year 1998. The Federal matching rate would be 80 percent.

Effective date.—The provision is effective beginning in fiscal year 1990.

III. Budget Effects of the Bill

A. COMMITTEE ESTIMATE

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimate prepared by the Congressional Budget Office (CBO) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of rule XI of the House of Representatives, the Committee states that the letter from the Congressional Budget Office indicates that there is a change in budget authority and there are increased tax expenditures as a result of the bill, as amended.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 8, 1989.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate of H.R. 3, the Early Childhood Education and Development Act of 1989, as ordered reported by the Committee on Ways and Means on September 7, 1989.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER,
Director.

Attachment.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3.

2. Bill title: Early Childhood Education and Development Act of 1989.

3. Bill status: As ordered reported by the House Committee on Ways and Means on September 7, 1989.

4. Bill purpose: The bill would authorize five new grant programs that would: expand certain Head Start programs to full-day, full calendar year programs; establish or expand school-based child care services; coordinate child care and early childhood development activities; assist businesses in providing child care services to employees; and improve child care standards. Title III of the bill would raise the cap on the Social Services Block Grant and earmark the increases for child care services. Title III would also expand the earned income tax credit.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1990	1991	1992	1993	1994
Subject to Appropriations					
Title I. Head Start Expansion:					
Estimated authorization level	613	639	665	692	.....
Estimated outlays	276	585	649	676	379
Title II. School-Based Child Care:					
Estimated authorization level	613	639	665	692	.....
Estimated outlays	74	493	624	663	603
Title IV. Coordinating Activities:					
Estimated authorization level	525	548	570	593	.....
Estimated outlays	158	586	606	581	235

[By fiscal year, in millions of dollars]

	1990	1991	1992	1993	1994
Title V. Business Involvement:					
Authorization level	25	25	25	25	.....
Estimated outlays	5	27	26	25	15
Title VI. Child Care Standards:					
Authorization level	75	75	75	75	75
Estimated outlays	17	68	75	75	75
Federal Administrative Costs:					
Estimated authorization level	4	4	3	3	.....
Estimated outlays	4	4	3	3	.....
Direct Spending					
Title III. Child Care Grants:					
Budget authority	200	350	400	400	400
Estimated outlays	120	266	370	394	400
Title III. Earned Income Tax Credit Expansion [1]:					
Estimated budget authority	0	378	3,717	3,986	4,266
Estimated outlays	0	378	3,717	3,986	4,266
Estimated Revenues [2]	0	37	355	380	407
Total subject to appropriations:					
Estimated authorization level	1,854	1,929	2,003	2,081	75
Estimated outlays	532	1,763	1,983	2,023	1,307
Total direct spending:					
Estimated budget authority	200	728	4,117	4,386	4,666
Estimated outlays	120	644	4,087	4,380	4,666
Total Revenues [2]	0	37	355	380	407
Total Effect on the Deficit	652	2,444	6,425	6,783	6,380

[1] Estimates provided by the Joint Committee on Taxation.
[2] Revenue losses are shown as positive numbers because they increase the deficit.

These costs would fall within functions 500 and 600.

Basis of Estimate

Titles I, II, and IV

The bill would authorize a total of $1.75 billion in 1990 for the three grant progams authorized in Titles I, II and IV, and such sums as may be necessary in 1991–1993. The $1.75 billion authorization in 1990 is contingent on certain amounts being appropriated for the Chapter 1 program of compensatory education for the disadvantaged and the Head Start program. No funds would be authorized unless the 1990 appropriation amounts for both programs are as large as their 1989 appropriation levels, adjusted for inflation, as measured by the percentage change in the Consumer Price Index For All Urban Consumers during fiscal year 1989. No conditions are placed on the authorization levels in 1991–1993, or on the authorizations in Titles III, V and VI.

For the purposes of this estimate, CBO assumes that the Chapter 1 and Head Start funding conditions are met. Estimated levels for the such sums authorizations in 1991–1993 are the 1990 level, adjusted for projected inflation. All outlay estimates assume full appropriation of authorized amounts.

Head Start Expansion.—Title I would authorize 35 percent of the aggregate appropriation for Titles I, II, and IV for Head Start expansion. The 1990 authorization level is 35 percent of $1.75 billion, or $612.5 million. The 1991–1993 estimated levels are the 1990 level, adjusted for projected inflation. Head Start programs would

receive grants to provide children with full-day services throughout the full calendar year. At least 50 percent of the funds would be used for children currently eligible for Head Start. Remaining funds would provide services on a sliding fee scale basis to children whose family income is above the federal poverty line but less than 150 percent of the lower living standard income level, as determined annually by the Secretary of Labor. Outlays were estimated following historic spending patterns for the Head Start program.

School-based Child Care.—Title II would authorize a school-based child care program at the same funding levels as the Title I Head Start expansion, that is, 35 percent of the aggregate appropriation for Titles I, II, and IV. States would receive grants to distribute to local educational agencies to establish or expand before- and after-school programs for school-age children and early childhood development programs for four-year old children and, at local option, three-year old children. In order to receive grants, states would be required to apply for coordinating grants under Title IV. Services would be provided a no cost to children with family incomes below 100 percent of the federal poverty line, on a sliding fee scale basis to children with incomes below 160 percent of the lower living standard income level, and on a full-fee basis for other children. State education agencies would be allowed to retain up to 3 percent of the grants. Spending patterns were based on the spend-out rates for other programs of grants to local educational agencies.

Child Care and Early Childhood Development Coordinating Activities.—Title IV would authorize the remaining 30 percent of the total $1.75 billion authorized for Titles I, II, and IV, or $525 million, for coordinating activities in 1990, and such sums as may be necessary in 1991–1993. Grants would be allocated to each state on the basis of its population under six years of age and its participation in the National School Lunch program. Mandatory activities would include expanding local resource and referral systems, providing training for child care workers, improving inspections and regulatory enforcement, collecting local needs assessments and other data, and improving salaries of child care providers. Optional activities would include making grants or low-interest loans to providers for renovations and improvements, making grants to support business involvement in child care, and promoting involvement of libraries in improving early childhood learning resources.

Spending was assumed to follow spending patterns of comparable state grant programs administered by the Department of Health and Human Services. Spending was reduced in the first year, reflecting the expected lead time for states to structure their programs.

Title III

Child Care Services.—Title III would increase the cap on the Social Services Block Grant established under Title XX of the Social Security Act by $200 million in 1990, $350 million in 1991, and $400 million in 1992 and each subsequent fiscal year. These would be direct spending increases, because the Title XX program is a capped entitlement. The increases would be earmarked for child care services. In order to receive grants, states would be required to establish certain minimum child care standards within

three years, and ensure provider compliance with such standards. At least 80 percent of the funds would pay for direct services, with the remaining 20 percent used for administration, training, and enforcement activities. Child care services would be provided through contracts or grants with providers, or grants to local government units. Services would be reimbursed at market rates, with families contributing on a sliding fee scale basis, and no charges made to families with incomes below the poverty line. Spending was assumed to follow spending patterns of comparable state grant programs administered by the Department of Health and Human Services.

Earned Income Tax Credit.—Title III would also expand the earned income tax credit. The net effect on the deficit was estimated by the Joint Committee on Taxation to be an increase of $415 million in 1991, $4,072 million in 1992, $4,366 million in 1993 and $4,673 million in 1994. As shown in the cost estimate table, this effect includes both an increase in outlays and a decrease in revenues because the refundable portion of the earned income tax credit is counted as an outlay.

Titles V and VI

Business Involvement.—Title V would authorize $25 million annually in 1990 through 1993 for grants to businesses providing child care services. In order to receive grants, businesses would have to contribute 300 percent of the federal grant to the proposed activity. Priority would be given to businesses with fewer than 100 employees. Spending was assumed to follow patterns of the Head Start program, adjusted for slower spending in the first year, because it would take time for small businesses to prepare grant applications and raise the requisite matching funds.

Child Care Standards.—Title VI would authorize $75 million annually in 1990 through 1997 for incentive grants to assist states in improving child care standards. In order to receive grants, states would have to provide a 20 percent match. Grants would be for a two-year period, with no state receiving more than three consecutive grants. Spending was assumed to follow the spending patterns of the Dependent Care Planning and Development grants program.

Federal Administrative Costs

The federal government would be responsible for administering the grant programs and ensuring state compliance with the provisions in Titles III and IV. Administrative costs were estimated as $3 million annually. An additional $1 million cost was added in 1990 and 1991 to support a National Advisory Council on Model Child Care Standards.

6. Estimated cost to State and local government: No matching funds would be required of Head Start agencies, local educational agencies or states under Titles I–IV. Participating states, however, would have to fund 20 percent of program costs to receive the grants under Title VI. States would be required to provide a total of $18.75 million annually if the total $75 million were appropriated and distributed. Businesses applying for grants under Title V would have to provide 300 percent of the federal funds, or a total of

$75 million annually, if the full $25 million were appropriated and distributed.

Under Titles III and IV, states would be required to set minimum child care standards, enforce regulations, collect data, fund resource and referral agencies, provide training and salary increases to child care staff, and meet other requirements. Local child development councils would be required to assess local needs and resources. The state and local costs of these activities are uncertain, but could be offset by the direct funds provided under Title III and the funds authorized to be appropriated under Titles IV and VI. The extent to which states and localities would bear the expense of these administrative activities would depend on the level of appropriations for the authorizations in Titles IV and VI.

7. Estimate comparison: None.

8. Previous CBO estimate: On July 14, 1989, CBO prepared an estimate of H.R. 3 as ordered reported by the House Committee on Education and Labor. The major cost differences in this bill are the addition of the direct spending and revenue provisions in Title III, and the addition of Title VI. The original Title III was deleted, and the authorizations for Titles I, II and IV were correspondingly increased, maintaining the $1.75 billion aggregate authorization for that portion of the bill. Shifting funds from the original Title III to Titles I, II, and IV led to lower outlay estimates in 1990–1993, because of slower spend-out rates for the Head Start program and school-based child care programs.

9. Estimate prepared by: Julia B. Isaacs.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

IV. Other Matters Required to be Discussed Under the Rules of the House

A. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 3, was ordered favorably reported to the House of Representatives on September 7, 1989 by voice vote.

B. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Public Assistance and Unemployment Compensation (now referred to as the Subcommittee on Human Resources), held with respect to child care specifically on June 9, 1988, and held with respect to the problems of the working poor generally on February 28, March 21, and April 27, 1989.

C. OVERSIGHT BY THE COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Com-

mittee by the Committee on Government Operations with respect to the provisions contained in these amendments.

D. INFLATIONARY IMPACT

In compliance with clause 2(l)(4)(B) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the amendments are not expected to have any inflationary impact on the economy.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

The bill was referred to this Committee for consideration of such provisions of the amendment reported by the Committee on Education and Labor, on July 27, 1989, as fall within the jurisdiction of this Committee pursuant to clause 1(v) of rule X of the Rules of the House of Representatives. The changes made to existing law by the amendment reported by the Committee on Education and Labor are shown in part 1 of the report filed by that Committee.

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the amendment, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * * * *

TITLE XX—BLOCK GRANTS TO STATES FOR SOCIAL SERVICES

SEC. 2000. PURPOSE OF TITLE; LIMITATION ON ENTITLEMENT.

(a) PURPOSE OF TITLE.—The purpose of this title is to provide Federal assistance to States for a range of social services, with additional funds set aside for child care services.

(b) LIMITATION ON ENTITLEMENT.—For payments to which States are entitled under this title, there are authorized to be appropriated to the Secretary—

(1) $2,900,000,000 for fiscal year 1990, of which $200,000,000 shall be for payments under subtitle B;

(2) $3,050,000,000 for fiscal year 1991, of which $350,000,000 shall be for payments under subtitle B; and

(3) $3,100,000,000 for each fiscal year after fiscal year 1991, of which $400,000,000 shall be for payments under subtitle B.

Subtitle A—Grants to States for Social Services

PURPOSES OF [TITLE;] *SUBTITLE;* AUTHORIZATION OF APPROPRIATIONS

SEC. 2001. For the purposes of consolidating Federal assistance to States for social services into a single grant, increasing State flexibility in using social service grants, and encouraging each State, as

far as practicable under the conditions in that State, to furnish services directed at the goals of—

(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;

* * * * * * *

PAYMENTS TO STATES

SEC. 2002. (a)(1) Each State shall be entitled to payment under this [title] *subtitle* for each fiscal year in an amount equal to its *regular* allotment for such fiscal year, to be used by such State for services directed at the goals set forth in section 2001, subject to the requirements of this [title.] *subtitle.*

(2) For purposes of paragraph (1)—

(A) services which are directed at the goals set forth in section 2001 include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, family planning services, training and related services, employment services, information, referral, and counseling services, the preparation and delivery of meals, health support services and appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts; and

(B) expenditures for such services may include expenditures for—

(i) administration (including planning and evaluation);

(ii) personnel training and retraining directly related to the provision of those services (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions); and

(iii) conferences or workshops, and training or retraining through grants to nonprofit organizations within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954 or to individuals with social services expertise, or through financial assistance to individuals participating in such conferences, workshops, and training or retraining (and this clause shall apply with respect to all persons involved in the delivery of such services).

(b) The Secretary shall make payments in accordance with section 6503 of title 31, United States Code, to each State from its *regular* allotment for use under this [title.] *subtitle.*

(c) Payments to a State from its *regular* allotment for any fiscal year must be expended by the State in such fiscal year or in the succeeding fiscal year.

(d) A State may transfer up to 10 percent of its *regular* allotment under section 2003 for any fiscal year for its use for that year under other provisions of Federal law providing block grants for support of health services, health promotion and disease prevention activities, or low-income home energy assistance (or any combina-

tion of those activities). Amounts allotted to a State under any provisions of Federal law referred to in the preceding sentence and transferred by a State for use in carrying out the purposes of [this title] *this subtitle* shall be treated as if they were paid to the State under [this title] *this subtitle* but shall not affect the computation of the State's *regular* allotment under this title. The State shall inform the Secretary of any such transfer of funds.

(e) A State may use a portion of the amounts described in subsection (a) for the purpose of purchasing technical assistance from public or private entities if the State determines that such assistance is required in developing, implementing, or administering programs funded under [this title.] *this subtitle.*

REGULAR ALLOTMENTS

SEC. 2003. (a) The *regular* allotment for any fiscal year to each of the jurisdictions of Puerto Rico, Guam, the Virgin Islands, and the Northern Mariana Islands shall be an amount which bears the same ratio to the amount specified in subsection (c) as the amount which was specified for allocation to the particular jurisdiction involved for the fiscal year 1981 under section 2002(a)(2)(C) of this Act (as in effect prior to the enactment of this section) bore to $2,900,000,000. The *regular* allotment for fiscal year 1989 and each succeeding fiscal year to American Samoa shall be an amount which bears the same ratio to the amount allotted to the Northern Mariana Islands for that fiscal year as the population of American Samoa bears to the population of the Northern Mariana Islands determined on the basis of the most recent data available at the time such *regular* allotment is determined.

(b) The *regular* allotment for any fiscal year for each State other than the jurisdictions of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands shall be an amount which bears the same ratio to—

(1) the amount specified in subsection (c), reduced by

(2) the total amount allotted to those jurisdictions for that fiscal year under subsection (a),

as the population of that State bears to the population of all the States (other than Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands) as determined by the Secretary (on the basis of the most recent data available from the Department of Commerce) and promulgated prior to the first day of the third month of the preceding fiscal year.

(c) The amount specified for purposes of subsections (a) and (b) shall be—

(1) $2,400,000,000 for the fiscal year 1982;

(2) $2,450,000,000 for the fiscal year 1983;

(3) $2,700,000,000 for the fiscal years 1984, 1985, 1986, [and 1987, and for each succeeding fiscal year other than the fiscal year 1988; and] *1987, and 1989;*

(4) $2,750,000,000 for the fiscal year 1988[.]*;*

(5) $2,900,000,000 for the fiscal year 1990;

(6) $3,050,000,000 for the fiscal year 1991; and

(7) $3,100,000,000 for the fiscal year 1992 and for each succeeding fiscal year.

STATE ADMINISTRATION

SEC. 2004. Prior to expenditure by a State of payments made to it under section 2002 for any fiscal year, the State shall report on the intended use of the payments the State is to receive under [this title] *this subtitle,* including information on the types of activities to be supported and the categories or characteristics of individuals to be served. The report shall be transmitted to the Secretary and made public within the State in such manner as to facilitate comment by any person (including any Federal or other public agency) during development of the report and after its public agency) during development of the report and after its completion. The report shall be revised throughout the year as may be necessary to reflect substantial changes in the activities assisted under [this title] *this subtitle,* and any revision shall be subject to the requirements of the previous sentence.

LIMITATIONS ON USE OF GRANTS

SEC. 2005. (a) Except as provided in subsection (b), grants made under [this title] *this subtitle*—

(1) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility;

(2) for the provision of cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of a social service, or temporary emergency shelter provided as a protective service);

(3) for payment of the wages of an individual as a social service (other than payment of the wages of welfare recipients employed in the provision of child day care services);

(4) for the provision of medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug dependent individual) unless it is an integral but subordinate part of a social service for which grants may be used under [this title] *this subtitle;*

(5) for social services (except services to an alcoholic or drug dependent individual or rehabilitation services) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution;

(6) for the provision of any educational service which the State makes generally available to its residents without cost and without regard to their income;

(7) for any child day care service unless such services meet applicable standards of State and local law;

(8) for the provision of cash payments as a service (except as otherwise provided in this section); or

(9) for payment for any item or service (other than an emergency item or service) furnished—

(A) by an individual or entity during the period when such individual or entity is excluded under this [title]

subtitle or title V, XVIII, or XIX pursuant to section 1128, 1128A, 1156, or 1842(j)(2), or

(B) at the medical direction or on the prescription of a physician during the period when the physician is excluded under this [title] *subtitle* or title V, XVIII, or XIX pursuant to section 1128, 1128A, 1156, or 1842(j)(2) and when the person furnishing such item or service knew or had reason to know of the exclusion (after a reasonable time period after reasonable notice has been furnished to the person).

(b) The Secretary may waive the limitation contained in subsection (a) (1) and (4) upon the State's request for such a waiver if he finds that the request describes extraordinary circumstances to justify the waiver and that permitting the waiver will contribute to the State's ability to carry out the purposes of this [title] *subtitle.*

REPORTS AND AUDITS

SEC. 2006. (a) Each State shall prepare reports on its activities carried out when funds made available (or transferred for use) under this [title] *subtitle the Secretary shall annually compile the reports transmitted to the Secretary and submit such annual compliation.* Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c)) as the State finds necessary to provide an accurate description of such activities, to secure a complete record of the purposes for which funds were spent, and to determine the extent to which funds were spent in a manner consistent with the reports required by section 2004. The State shall make copies of the reports required by this section available for public inspection within the State and shall transmit a copy to the Secretary. Copies shall also be provided, upon request, to any interested public agency, and [each such agency may provide its views on these reports] to the Congress.

(b) Each State shall, not less often than every two years, audit its expenditures from amounts received (or transferred for use) under this [title] *subtitle.* Such State audits shall be conducted by an entity independent of any agency administering activities funded under this [title.] *subtitle,* in accordance with generally accepted auditing principles. Within 30 days following the completion of each audit, the State shall submit a copy of that audit to the legislature of the State and to the Secretary. Each State shall repay to the United States amounts ultimately found not to have been expended in accordance with this [title] *subtitle,* or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this [title.] *subtitle.*

(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

(1) the number of individuals who received services paid for in whole or in part with funds made available under this [title] *subtitle,* showing separately the number of children and the number of adults who received such services, and

broken down in each case to reflect the types of services and circumstances involved;

(2) the amount spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

(4) the methods by which services were provided, showing separately the services provided by public agencies and those provided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection, and make such other provision as may be necessary or appropriate to assure that compliance with the requirements of this subsection will not be unduly burdensome on the States.

(d) for other provisions requiring States to account for Federal grants, see section 6503 of title 31, United States Code.

* * * * * * *

Subtitle B—Grants to States for Child Care

SEC. 2011. PAYMENTS TO STATES.

(a) ENTITLEMENT.—

(1) IN GENERAL.—Each State which is eligible for payments under this subtitle for a fiscal year shall be entitled to payments in an aggregate amount equal to the child care allotment of the State for such fiscal year.

(2) ELIGIBILITY.—

(A) FIRST 3 YEARS.—During the 3-year period beginning on the date of the enactment of this subtitlle, each State is eligible for payments under this subtitle.

(B) AFTER 3 YEARS.—After the end of such 3-year period, a State shall be ineligible for any payment under this subtitle if the State has not demonstrated to the Secretary that all child care providers in the State who receive funds under this title and all other providers in the State who receive public funds for child care services—

(i) are licensed or regulated as required by State or local law;

(ii) comply with the minimum child care standards established by the State in accordance with section 2012(c); and

(iii) are subject to the enforcement provisions in section 2012(i).

This subparagraph shall not be construed to require the training or licensing of any individual who provides child care solely to members of the family of the individual.

(b) PAYMENTS.—The Secretary shall make payments to each State which is eligible for payments under this subtitle for a fiscal year from the child care allotment of the State under this subtitle for

such fiscal year, in accordance with section 6503 of title 31, United States Code.

SEC. 2012. STATE ADMINISTRATION.

(a) ADMINISTRATION.—The State agency with primary responsibility for child care in the State shall administer the use of all payments made to the State under this subtitle.

(b) USE OF PAYMENTS.—

(1) IN GENERAL.—

(A) 80 PERCENT FOR CHILD CARE SERVICES.—Each State which recieves a payment under this subtitle shall use 80 percent of the amount of such payment to provide child care services in accordance with this subtitle.

(B) 20 PERCENT FOR ADMINISTRATION, TRAINING, AND ENFORCEMENT.—Each State which receives a payment under this subtitle shall use 20 percent of the amount of such payment for child-care related administration and training, and for enforcing in accordance with subsection (i) the child care standards established by the State in accordance with subsection (c).

(2) LIMITATIONS.—

(A) CHILD CARE PROVIDERS AND SERVICES MUST MEET STATE STANDARDS AND REQUIREMENTS.—Each State which receives a payment under this subtitle may not use any part of any grant made under this subtitle for any child care services unless such services meet all applicable child care standards and licensing and registration requirements—

(i) during the 3-year period beginning on the date of the enactment of this subtitle, as established by State and local law; and

(ii) after such 3-year period, as established by State and local law pursuant to subsection (c).

(B) NO SUPPLANTING OF OTHER PUBLIC FUNDS FOR CHILD CARE SERVICES.—Each State which receives a payment under this subtitle shall not use such payment to supplant any other Federal or State funds used for child care services.

(c) CHILD CARE STANDARDS.—Beginning 3 years after the date of the enactment of this subtitle, each State which receives a payment under this subtitle shall have in effect child care standards in each of the categories described in this subsection, which shall apply to all child care funded in the State under this title and all child care services delivered by providers in the State who receive public funds for child care services. Such categories are as follows:

(1) CENTER-BASED CHILD CARE SERVICES.—Such standards with respect to child care services provided by center-based child care providers shall be limited to—

(A) group size limits in terms of the number of caregivers and the number of ages of children;

(B) the maximum appropriate child-staff ratios;

(C) preservice qualifications and background of child care personnel;

(D) requirements for inservice training in areas appropriate to the provision of such child care services;

(E) health and safety requirements for children and caregivers, including requirements for—

(i) the prevention and control of infectious diseases (including immunization and handwashing procedures);

(ii) injury prevention, control, and treatment;

(iii) building and physical premises safety;

(iv) general health and nutrition;

(v) children with special needs; and

(vi) prevention of child abuse; and

(F) requirements for parental involvement in licensed and regulated child care services.

(2) FAMILY CHILD CARE SERVICES.—Such standards with respect to child care services provided by family child care providers shall be limited to—

(A) the maximum number of children for which child care services should be provided and the maximum number of infants for which child care services should be provided;

(B) the minimum age for caregivers;

(C) requirements for inservice training in areas appropriate to the provision of such child care services, or participation in a provider organization that addresses child development and management issues; and

(D) health and safety requirements for children and caregivers, including those described in paragraph (1)(E), as appropriate for family child care services.

(3) GROUP HOME CHILD CARE SERVICES.—Such standards with respect to child care services provided by group home child care providers shall be limited to the matters specified in paragraphs (1)(B) and (2).

(d) MINIMUM TRAINING REQUIREMENT.—Each State which receives a payment under this subtitle after the expiration of the 2-year period beginning on the date of the enactment of this subtitle shall require all child care providers (and the caregivers employed by such providers) who receive public funds for child care services and are required to be licensed or regulated in the State to complete annually an average of 15 hours of training. Such training shall be tailored to the needs of the State and the providers.

(e) MARKET RATES.—Each State which receives a payment under this subtitle shall reimburse child care expenses at market rates, with higher reimbursements for infants and toddlers, children with disabilities, and comprehensive child care programs for children of adolescent parents.

(f) SLIDING FEE SCHEDULE.—Each State which receives a payment under this subtitle shall establish a sliding fee schedule, based on income, for determining the amount a family will be required to pay for the delivery of child care services under this title.

(g) CHILD CARE SERVICES TO BE PROVIDED AT NO COST TO FAMILIES WITH INCOMES BELOW POVERTY LINE.—Each State which receives a payment under this subtitle shall ensure that child care services which are provided to any family with income below the poverty line shall be provided at no cost to such family.

(h) POLICIES AND PROCEDURES.—Each State which receives a payment under this subtitle shall develop policies and procedures designed to ensure that the State will not reduce—

(1) the categories of child care providers licensed or regulated by the State on the date of the enactment of this subtitle; or

(2) the level of standards applicable to child care services provided in the State and to the matters referred to in subsection (c), even if such standards exceed the standards required to be established by the State in accordance with subsection (c) unless the State demonstrates, to the satisfaction of the Secretary, that the reduction is—

(A) based on positive developmental practice; or

(B) necessary to increase access to and availability of child care providers, and will not jeopardize the health and safety of children.

(i) ENFORCEMENT.—Beginning 3 years after the date of the enactment of this subtitle, each State which receives a payment under this subtitle shall have in effect enforcement policies and practices that will apply to all child care funded in the State under this title and all child care services delivered by providers in the State who receive public funds for child care services, including policies and practices that—

(1) require personnel who perform inspection functions with respect to licensed or regulated child care services to receive training in child development, health and safety, child abuse prevention and detection, the need of children with a disability, program management, and relevant law enforcement;

(2) impose personnel requirements to ensure that individuals who are hired as licensing inspectors are qualified to inspect and, to the maximum extent feasible, have inspection responsibility exclusively for children's services;

(3) require personnel who perform inspection functions with respect to licensed or regulated child care services to make—

(A) not less than 1 unannounced inspection annually of each center-based child care provider in the State; and

(B) unannounced inspections annually, and during normal hours of operation, of not less than 25 percent of licensed and regulated family child care providers in the State;

(4) require the ratio of licensing personnel to child care providers in the State to be maintained at a level sufficient to enable the State to conduct inspections of child care facilities and providers on a timely basis and otherwise to comply with the requirements of this subsection;

(5) require licensed or regulated child care providers (including registered child care providers) in the State—

(A) to have written policies and program goals and to make a copy of such policies and goals available to parents; and

(B) to provide parents with unlimited access to their children whenever children of such parents are in the care of such providers;

(6) implement a procedure to address complaints that will provide a reasonable opportunity for a parent, or child care pro-

vider, that is adversely affected or aggrieved by a decision of the agency described in subsection (a) or any program or activity assisted under this subtitle or, to the extent funds are used for child care services, under subtitle A, to be heard by the State;

(7) prohibit the operator of a child care facility to take any action against an employee of such operator that would adversely affect the employment, or terms or conditions of employment, of such employee because such employee communicates a failure of such operator to comply with any applicable licensing or regulatory requirement;

(8) make consumer education information available to inform parents and the general public about licensing requirements, complaint procedures, and policies and practices required by this subsection;

(9) require a child care provider to post, on the premises where child care services are provided, the telephone number of the appropriate licensing or regulatory agency that parents may call regarding a failure of such provider to comply with any applicable licensing or regulatory requirement; and

(10) require the State to maintain a record of parental complaints and to make information regarding substantiated parental complaints available to the public on request.

(j) TIMING OF EXPENDITURES.—Except as provided in section 2013(c)(1), each State receiving a payment under this subtitle for a fiscal year shall expend such funds in such fiscal year or in the succeding fiscal year.

SEC. 2013. CHILD CARE ALLOTMENTS.

(a) FORMULA FOR DETERMINING CHILD CARE ALLOTMENTS.—The child care allotment of any State which is eligible for payments under this subtitle for a fiscal year shall be—

(1) the State share for such fiscal year; multiplied by

(2) the child care set aside for such fiscal year.

(b) DEFINITIONS.—

(1) STATE SHARE.—The term "State share" means, with respect to a State and a fiscal year—

(A) the regular allotment of the State under section 2003 for such fiscal year; divided by

(B)(i) the amount specified in section 2003(c) for such fiscal year; minus

(ii) the aggregate of the regular allotments, under section 2003 for such fiscal year, of the States which are not eligible for payments under this subtitle for such fiscal year.

(2) CHILD CARE SET ASIDE.—The term 'child care set aside' means—

(A) $200,000,000 for fiscal year 1990;

(B) $350,000,000 for fiscal year 1991; and

(C) $400,000,000 for each fiscal year after fiscal year 1991.

(c) REDISTRIBUTION OF UNEXPENDED CHILD CARE ALLOTMENTS.—

(1) REMITTANCE TO THE SECRETARY.—Each State which receives any payment under this subtitle for a fiscal year shall remit to the Secretary that part of such payment which the State intends not to, or does not, expend in such fiscal year or in the succeeding fiscal year.

(2) REDISTRIBUTION.—The Secretary shall increase the child care allotment of each State not remitting any amount to the Secretary for a fiscal year pursuant to paragraph (1) by an amount equal to—

(A) the aggregate of the amounts so remitted; multiplied by

(B) the adjusted State share for such fiscal year.

(3) ADJUSTED STATE SHARE.—The term "adjusted State share" means, with respect to a fiscal year—

(A) the child care allotment of the State for such fiscal year (before any increase under paragraph (2)); divided by

(B)(i) the child care set aside for such fiscal year; minus

(ii) the aggregate of the amounts remitted to the Secretary for such fiscal year pursuant to paragraph (1).

SEC. 2014. REPORTS AND AUDITS.

(a) REPORTS ON INTENDED USES OF CHILD CARE ALLOTMENTS.—

(1) IN GENERAL.—Before any State expends any payment made to the State under this subtitle for any fiscal year, the State shall report to the Secretary on the intended uses of such payment (including information on the types of activities to be supported, and the categories and characteristics of individuals to be served) and on any part of such payment which the State intends not to expend in such fiscal year or in the succeeding fiscal year.

(2) PUBLICATION IN THE STATE.—The State shall make the report required by paragraph (1) public within the State in such manner as to facilitate comment by any person (including any Federal or other public agency) during the development of the report and after the completion of the report.

(b) NOTICE TO SECRETARY OF UNEXPENDED CHILD CARE SET ASIDE.—Each State which has not completely expended the payments made to the State under this subtitle for a fiscal year in such fiscal year or the succeeding fiscal year shall notify the Secretary of any amount not so expended.

(c) REPORTS ON ACTUAL USE OF CHILD CARE SET ASIDE.—

(1) ANNUAL REPORTS.—

(A) IN GENERAL.—Each State shall prepare reports annually, beginning with fiscal year 1992, on the activities of the State carried out with funds made available under this subtitle or (to the extent funds made available under subtitle A are expended for child care services) under subtitle A, covering the most recently completed fiscal year.

(B) FORM AND CONTENT.—Each report required by subparagraph (A) shall be in such form and contain such information (including the information specified in paragraph (2)) as the State finds necessary—

(i) to provide an accurate description of such activities;

(ii) to secure a complete record of the purposes for which funds made available under this subtitle were spent; and

(iii) to determine the extent to which such funds were spent in a manner consistent with the reports required by subsection (a).

(C) AVAILABILITY OF COPIES.—The State shall make copies of each report required by this section available for public inspection within the State, shall transmit a copy of each such report to the Secretary, and shall provide a copy of each such report, on request, to any interested public agency.

(D) SUBMISSION TO CONGRESS.—The Secretary shall annually compile the State reports transmitted to the Secretary pursuant to subparagraph (C), and submit such annual compilation to the Congress.

(2) REPORTS TO CONTAIN CERTAIN SPECIFIC INFORMATION.—Each report prepared and transmitted by a State under paragraph (1) shall set forth with respect to child care services funded under this subtitle or subtitle A (for the fiscal year covered by the report)—

(A) showing separately for center-based child care services, group home child care services, family child care services, and relative care services—

(i) the number of children who received such services paid for, in whole or in part, with funds made available under this subtitle or subtitle A, grouped according to the average income of the families of such children as a percentage of the poverty line;

(ii) the average cost and market rate, by geographical area, for child care services funded, in whole or in part, with funds made available under this subtitle or subtitle A; and

(iii) the out-of-pocket costs for such services funded, in whole or in part, with funds made available under this subtitle or subtitle A, grouped according to the average income of the families of the children receiving such services as a percentage of the poverty line;

(B) whether the recipients of each type of service specified in subparagraph (A) receive public assistance benefits, the extent to which such benefits are taken into account in determining the child care services benefit, and the effect of public assistance benefits on the child care services benefit;

(C) income eligibility guidelines, sliding fee schedules, requirements for enrollment in school or training programs, and any other criteria applied in determining eligibility for, or priority in receiving, each type of service specified in subparagraph (A);

(D) the methods by which each type of service specified in subparagraph (A) was provided;

(E) the child care standards in effect in the State with respect to each type of service specified in subparagraph (A);

(F) the child care licensing and regulatory (including registration) requirements in effect in the State with respect to each type of service specified in subparagraph (A); and

(G) the enforcement policies and practices in effect in the State which apply to licensed and regulated child care providers (including providers required to register).

(3) UNIFORM REPORTING REQUIREMENTS.—Within 12 months after the date of the enactment of this subtitle, the Secretary shall establish uniform reporting requirements for use by the States in preparing the information required by this subsection, and make such other provision as may be necessary or appropriate to ensure that compliance with this subsection will not be unduly burdensome on the States.

(4) INTERIM REPORT.—The Secretary shall issue an interim report on the matters described in paragraphs (1) and (2) with respect to fiscal year 1991, based on information made available by the States.

(d) AUDITS.—Each State shall, not less often than every 2 years, audit the expenditures of the State from payments made under this subtitle. Such audits shall be conducted by an entity independent of any agency administering activities funded under this subtitle, in accordance with generally accepted auditing principles. Within 30 days after each such audit is completed, the State shall submit a copy of such audit to the legislature of the State and to the Secretary. Each State shall repay to the United States amounts ultimately found not to have been expended in accordance with this subtitle, or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this subtitle.

(e) DEFINITIONS.—As used in this subtitle:

(1) CENTER-BASED CHILD CARE PROVIDER.—The term "center-based child care provider" means a child care provider that provides child care services in a nonresidential facility, and may include a nonprofit institution of higher education.

(2) FAMILY CHILD CARE PROVIDER.—The term "family child care provider" means 1 individual who provides child care services to a child who does not reside with such individual, as the sole caregiver and in the private residence of such individual.

(3) GROUP HOME CHILD CARE PROVIDER.—The term "group home child care provider" means 2 or more individuals who jointly provide child care services in a private residence to a child who does not reside with any of such individuals.

(4) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" has the meaning given such term in section 481(a)(1) of the Higher Education Act of 1965, expcept that with respect to a tribally controlled community college such term has the meaning given it in section 2(a)(5) of the Tribally Controlled Community College Assistance Act of 1978.

(5) POVERTY LINE.—The term "proverty line" has the meaning given to such term in section 673(2) of the Community Services Block Grant Act.

INTERNAL REVENUE CODE OF 1986

Subtitle A—Income Taxes

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CHAPTER 1—NORTH TAXES AND SURTAXES

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Subchapter A—Determination of Tax Liability

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PART IV—CREDITS AGAINST TAX

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Subpart C—Refundable Credits

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SEC. 32. EARNED INCOME.

[(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there is allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to 14 percent of so much of the earned income for the taxable year as does not exceed $5,714.

[(b) LIMITATION—The amount of the credit allowable to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of—

[(1) the maximum credit allowable under subsection (a) to any taxpayer, over

[(2) 10 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds $9,000.

In the case of any taxable year beginning in 1987, paragraph (2) shall be applied by substituting "$6,500" for "$9,000."]

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the earned income for the taxable year as does not exceed $5,714.

(2) LIMITATION—The amount of the credit allowable to a taxpayer under this subsection for any taxable year shall not exceed the excess (if any) of—

(A) the credit percentage of $5,714, over

(B) the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds $9,000.

(b) PERCENTAGES.—

(1) IN GENERAL—For purposes of subsection (a)—

In the case of an eligible individual with—	*The credit percentage is—*	*The phaseout percentage is—*
1 qualifying child	*17*	*12*
2 qualifying children	*21*	*15*
3 or more qualifying children	*25*	*18.*

(2) SUPPLEMENTAL YOUNG CHILD CREDIT.—In the case of a taxpayer with a qualifying child who has not attained age 6 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends—

(A) the credit percentage shall be increased by 6 percentage points, and

(B) the phaseout percentage shall be increased by 4.25 percentage points.

(c) DEFINITIONS.—For purposes of this section—

(1) * * *

* * * * * * *

(3) QUALIFYING CHILD.—The term "qualifying child" means any child (within the meaning of section 151(c)(3)) of the eligible individual if—

(A) such indivdual is entitled to a deduction under section 151 for such child (or would be so entitled but for paragraph (2) or (4) of section 152(e)), and

(B) such child has the same principal place of abode as such individual for more than one-half of the taxable year.

* * * * * * *

(f) AMOUNT OF CREDIT TO BE DETERMINED UNDER TABLES.—

(1) IN GENERAL.—The amount of the credit allowed by this section shall be determined under tables prescribed by the Secretary.

(2) REQUIREMENTS FOR TABLES.—The tables prescribed under paragraph (1) shall reflect the provisions of subsections (a) and (b) and shall have income brackets of a not greater than $50 each—

(A) for earned income between $0 and the amount of earned income at which the credit is phased out under [subsection (b)] *subsection (a)(2),* and

(B) for adjusted gross income between the dollar amount at which the phaseout begins under [subsection (b)] *subsection (a)(2)* and the amount of adjusted gross income at which the credit is phased out under [subsection (b)] *subsection (a)(2).*

Separate tables shall be prescribed for taxpayers with 1 qualifying child, 2 qualifying children, 3 or more qualifying children, and any qualifying child who has not attained age 6.

* * * * * * *

(i) INFLATION ADJUSTMENTS.—

(1) * * *

(2) DEFINITIONS, ETC.—For purposes of paragraph (1)—

(A) APPLICABLE CALENDAR YEAR.—The term "applicable calendar year" means—

(i) 1986 in the case of the dollar amounts referred to in clause (i) [or (ii)] of subparagraph (B), and

(ii) 1987 in the case of the dollar amount referred to

in [clause (iii)] *clause (ii)* of subparagraph (B).

(B) DOLLAR AMOUNTS.—The dollar amounts referred to in this subparagraph are—

[(i) the $5,714 amount contained in subsection (a),

[(ii) the $6,500 amount contained in the last sentence of subsection (b), and

[(iii) the $9,000 amount contained in subsection (b)(2).]

(i) the $5,714 amount contained in subsection (a), and

(ii) the $9,000 amount contained in subsection (a)(2)(B).

* * * * * * *

(j) COORDINATION OF CREDIT WITH MEANS-TESTED PROGRAMS.—

(1) FEDERAL MEANS-TESTED TRANSFER PAYMENTS TREATED AS SUPPORT PROVIDED BY TAXPAYER.—Solely for purposes of determining whether any credit is allowable to an individual under this section (and the amount of credit so allowable), Federal means-tested payments shall be treated as support provided by such individual.

(2) CREDIT DISREGARDED IN DETERMINING BENEFITS UNDER OTHER MEANS-TESTED PROGRAMS.—Any refund of tax by reason of this section, and any payment made by an employer under section 3507, shall not be taken into account as income or receipts for purposes of determining the eligibility (for the month in which such refund or payment is made or any month thereafter) of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds. The preceding sentence shall apply only if the individual (or the family unit of which the individual is a member) is a recipient of benefits or assistance under such a program for the month before the month in which such refund or payment is made.

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Subtitle C—Employment Taxes

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CHAPTER 25—GENERAL PROVISIONS RELATING TO EMPLOYMENT TAXES

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SEC. 3507. ADVANCE PAYMENT OF EARNED INCOME CREDIT.

(a) * * *

(b) EARNED INCOME ELIGIBILITY CERTIFICATE.—For purposes of this title, an earned income eligibility certificate is a statement furnished by an employee to the employer which—

(1) certifies that the employee will be eligible to receive the credit provided by section 32 for the taxable year,

(2) certifies that the employee does not have an earned income eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer, [and]

(3) states whether or not the employee's spouse has an earned income eligibility certificate in effect[.], *and*

(4) states the number of qualifying children (as defined in section 32(c)(3)) of the employee for the taxable year and whether any such child is described in section 32(b)(2).

For purposes of this section, a certificate shall be treated as being in effect with respect to a spouse if such a certificate will be in effect on the first status determination date following the date on which the employee furnishes the statement in question.

(c) EARNED INCOME ADVANCE AMOUNT.—

(1) * * *

(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(B)—

(A) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables, and

(B) if the employee is not married, or if no earned eligibility certificate is in effect with respect to the spouse of employee, shall treat the credit provided by section 32 as if it were a credit—

(i) of not more than [14 percent] *the credit percentage* of earned income not in excess of the amount of earned income taken into account under section 32(a), which

(ii) phases out between the amount of earned income at which the phaseout begins under [subsection (b)] *subsection (a)(2)* of section 32 and the amount of earned income at which the credit under section 32 is phased out under subsection, or

(C) if an earned income eligibility certificate is in effect with respect to the spouse of the employee, shall treat the credit provided by section 32 as if it were a credit—

(i) of not more than [14 percent] *the credit percentage* of earned income not in excess of ½ of the amount of earned income taken into account under section 32(a), which

* * * * * * *

For purposes of this paragraph, the determination of the credit percentage under section 32(b), and the determination of the amounts referred to in subparagraph (B)(ii), shall be made on the basis of the information specified in the earned income eligibility certificate.

* * * * * * *

(e) FURNISHING AND TAKING EFFECT OF CERTIFICATES.—For purposes of this section—

(1) WHEN CERTIFICATE TAKES EFFECT.—

(A) FIRST CERTIFICATE FURNISHED—An earned income eligibility certificate furnished the employer in cases in

which no previous such certificate [had been in effect for the calendar year] shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is so furnished (or if later, the first day of the calendar year for which furnished).

(B) LATER CERTIFICATE.—An earned income eligibility certificate furnished the employer in cases in which a previous such certificate [had been in effect for the calendar year] *is in effect* shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days after the date on which such certificate is so furnished, except that at the election of the employer shall certificate may be made effective with respect to any payment of wages made on or after the date on which such certificate is so furnished. For purposes of this section, the term "status determination date" means January 1, May 1, July 1, and October 1 of each year.

(2) PERIOD DURING WHICH CERTIFICATE REMAINS IN EFFECT.—An earned income eligibility certificate which takes effect under this section [for any calendar year] shall continue in effect with respect to the employee [during such calendar year] until revoked by the employee or until another such certificate takes effect under this section.

(3) CHANGE OF STATUS.—

(A) REQUIREMENT TO REVOKE OR FURNISH NEW CERTIFICATE.—If, after an employee has furnished an earned income eligibility certificate under this section, there has been a change of circumstances which has the effect of—

(i) making the employee ineligible for the credit provided by section 32 for the taxable year *(or changing the percentages applicable to the employee under section 32(b) for the taxable year)*, or

* * * * * * *

(6) EMPLOYERS REQUIRED TO COLLECT CERTIFICATE OR STATEMENT OF INELIGIBILITY, ETC.—On or before the date of commencement of employment with an employer, the employer shall require the employee to furnish to the employer a signed earned income eligibility certificate or a signed statement that such employee does not meet the requirements of paragraphs (1) and (2) of subsection (b). As of the beginning of each calendar year, the employer shall require each employee with respect to whom an earned income eligibility certificate is in effect to determine whether there has been a change in circumstances requiring a new certificate or revocation of such certificate.

* * * * * * *

FOR THE INFORMATION OF THE MEMBERS

For the information of the Members of the House of Representatives, changes in existing law made by the Committee on Education and Labor as amended by this committee, are shown as follows (matter proposed to be omitted is shown in black brackets and printed in italic, new matter is printed in boldface roman, matter in which no change is proposed is shown in italic):

CHAPTER 8 OF SUBTITLE A OF TITLE VI OF PUBLIC LAW 97-35

TITLE VI—HUMAN SERVICES PROGRAMS

Subtitle A—Authorizations Savings for Fiscal Years 1982, 1983, and 1984

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CHAPTER 8—COMMUNITY SERVICES PROGRAMS

* * * * * * *

[*Subchapter C—Child Care Services For Infants, Toddlers, And Young Children*

[*SEC. 658A. SHORT TITLE.*

[*This subchapter may be cited as the "Child Care Services For Infants, Toddlers, And Young Children Act".*

[*SEC. 658B. AMOUNTS RESERVED; ALLOTMENTS.*

[*(a) AMOUNTS RESERVED.—*

[*(1) TERRITORIES AND POSSESSIONS.—The Secretary shall reserve not to exceed one half of 1 percent of the amount made available under section 3(b)(3) of the Early Childhood Education and Development of 1989 in each fiscal year for payments to Guam, American Samoa, the Virgin Islands of the United States, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and Palau, to be allotted in accordance with their respective needs.*

[*(2) INDIANS.—The Secretary shall reserve an amount, not less than 1.5 percent and not more than 3 percent of the amount made available under section 3(b)(3) of the Early Childhood Education and Development of 1989 in each fiscal year, to carry out subsection (c) regarding Indian children.*

[*(b) STATE ALLOTMENT.—*

[*(1) GENERAL RULE.—From the remainder of the amount made available under section 3(b)(3) of the Early Childhood Education and Development Act of 1989 for each fiscal year, the Secretary shall allot to each State (excluding jurisdictions referred to in subsection (a)(1)) an amount equal to the sum of—*

[*(A) an amount that bears the same ratio to 50 percent of such remainder as the product of the young child factor of the State and the allotment factor bears to the sum of the corresponding products for all States; and*

[*(B) an amount that bears the same ratio to 50 percent of such remainder as the product of the school lunch factor of the State and the allotment factor bears to the sum of the corresponding products for all the States.*

[*(2) ALLOTMENT PERCENTAGE.—*

[*(A) IN GENERAL.—The allotment factor for a State is determined by dividing—*

[*(i) the per capita income of all individuals in the United States; by*

[*(ii) the per capita income of all individuals in the State.*

[*(B) LIMITATIONS.—If a sum determined under subparagraph (A)—*

[*(i) exceeds 1.2, then the allotment factor of that State shall be considered to be 1.2; and*

[*(ii) is less that 0.8, then the allotment percentage of the State shall be considered to be 0.8.*

[*(C) PER CAPITA INCOME.—For purposes of subparagraph (A), per capita income shall be—*

[*(i) determined at 4-year intervals;*

[*(ii) applied for the 4-year period beginning on October 1 of the first fiscal year beginning on the date such determination is made; and*

[*(iii) equal to the average of the annual per capita incomes for the most recent period of 3 consecutive years for which satisfactory data are available from the Department of Commerce at the time such determination is made.*

[*(c) PAYMENTS FOR THE BENEFIT OF INDIAN CHILDREN.—*

[*(1) INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—From the funds reserved under subsection (a)(2), the Secretary may, upon the application of an Indian tribe or tribal organization, enter into a contract with or make a grant to such Indian tribe or tribal organization for a period of 2 years, subject to satisfactory performance, to plan and carry out programs and activities that are consistent with this subchapter. Such contract or grant shall be subject to the terms and conditions of section 102 of the Indian Self-Determination Act (25 U.S.C. 450f) and shall be conducted in accordance with sections 4, 5, and 6 of the Act of April 16, 1934 (48 Stat. 596; 25 U.S.C. 655–657), that are relevant to such programs and activities.*

[*(2) INDIAN RESERVATIONS.—In the case of an Indian tribe in a State other than the States of Oklahoma, Alaska, and California, such programs and activities shall be carried out on the Indian reservation for the benefit of Indian children.*

[*(3) STANDARDS.—(A)(i) Subject to subparagraph (B), in the case of an Indian tribe or tribal organization that has in effect licensing or regulatory requirements applicable to child care services, the Secretary shall incorporate such requirements into the grant or contract made under this subsection with respect to such tribe or such tribal organization.*

[*(ii) Subject to subparagraph (B) and if there are no tribal requirements of the kind described in clause (i), the Secretary shall establish, through the application process, standards ap-*

plicable to child care services provided under such programs and activities. For purposes of establishing such standards, the Secretary shall take into consideration—

[(I) the codes, regulations, and cultural factors of the Indian tribe involved, as expressed by such tribe or the tribal organization that represents such tribe; and

[(II) the State licensing and regulatory requirements applicable to child care services provided in the State in which such program and activities are carried out.

[(B) After the Secretary establishes model child care standards under section 658H(e)(2), the Secretary shall incorporate into any subsequent grant or contract made under this subsection—

[(i) minimum child care standards established by the Indian tribe or tribal organization that address all of the matters specified in paragraphs (1), (2), and (3) of section 658H(d); or

[(ii) such model child care standards;

at the option of the Indian tribe or tribal organization. The standards incorporated into such grant or contract shall apply with respect to child care services provided under such programs and activities.

[(4) AVAILABILITY OF STATE CHILD CARE SERVICES.—For the purpose of determining whether to approve an application for a contract or grant under this subsection, the Secretary shall take into consideration the availability of child care services provided in accordance with this subchapter by the State in which the applicant proposes to carry out a program to provide child care services.

[(5) RULE OF STATUTORY CONSTRUCTION.—This subsection shall not be construed—

[(A) to limit the eligibility of any individual to participate in any program carried out with assistance received under this subchapter by a State; or

(B) to modify any requirement imposed on a State by any provision of this subchapter.

[(6) COORDINATION.—To the maximum extent practicable, the applicant for a grant of contract under this subsection and the State in which the applicant is located shall coordinate with each other their respective child care programs and activities, including child care programs and activities carried out with assistance received under this subchapter.

[(d) DATA AND INFORMATION.—The Secretary shall obtain from each appropriate Federal agency, the most recent data and information necessary to determine the allotments provided for in subsection (b).

[(e) REALLOTMENTS.—

[(1) IN GENERAL.—Any portion of the allotment under subsection (b) to a State that the Secretary determines is not required to carry out a State plan approved under section 658C(d), in the period for which the allotment is made available, shall be realloted by the Secretary to other States in proportion to the original allotments to the other States.

[*(2) LIMITATIONS.—(A) The amount of any reallotment to which a State is entitled to under paragraph (1) shall be reduced to the extent that it exceeds the amount that the Secretary estimates will be used in the State to carry out a State plan approved under section 658C(d).*

[*(B) the amount of such reduction shall be similarly reallotted among States for which no reduction in an allotment or reallotment is required by this subsection.*

[*(3) AMOUNTS REALLOTED.—For purposes of any other section of this subchapter, any amount realloted to a State under this subsection shall be deemed to be part of the allotment made under subsection (b) to the State.*

[*(f) DEFINITION.—For the purposes of this section, the term "State" means any of the several States, the District of Columbia, or the Commonwealth of Puerto Rico.*

[*SEC. 658C. APPLICATION AND PLAN.*

[*(a) APPLICATION.—To be eligible to receive funds under this subchapter, a State shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require by rule.*

[*(b) PLAN.—The application of a State submitted under subsection (a) shall include an assurance that the State will comply with the requirements of this subchapter and a State plan that is designed to be implemented during a 2-year period and that meets the requirements of subsection (c).*

[*(c) REQUIREMENTS OF THE PLAN.—*

[*(1) LEAD AGENCY.—The plan shall contain an assurance that the financial assistance received under this subchapter by the State will be administered by the lead agency and shall identify the lead agency designated in accordance with section 659D of the Child Care and Early Childhood Development Coordinating Activities Act.*

[*(2) POLICIES AND PROCEDURES.—The plan shall set forth policies and procedures designed to ensure all of the following:*

[*(A) That, to the maximum extent feasible—*

[*(i) the parents of each eligible child who will receive child care services for which assistance is provided under paragraph (3) are permitted to select the eligible child care provider that will provide such services to such child; and*

[*(ii) the State will attempt to place such child with the eligible child care provider selected by such parents.*

[*(B) That—*

[*(i) all providers of child care services for which assistance is provided under this subchapter comply with all licensing and regulatory requirements (including registration requirements) applicable under State and local law; and*

[*(ii) such requirements are imposed and enforced by the State uniformly on all such providers that provider child care services under similar child care arrangements.*

This subparagraph shall not be construed to prohibit a State to impose more stringent standards or requirements on child care providers who provide services for which assistance is provided under this subchapter and who also receive State funds under any other law to provide child care services under a contract or other arrangement with the State.

[(C) That procedures will be established to ensure that child care providers required to be licensed or regulated in the State comply with the standards established under section 658F (a) by the State as well as all applicable State and local licensing and regulatory requirements (including registration requirements).

[(D) That the State will not—

[(i) reduce the categories of child care providers licensed or regulated by the State on the date of enactment of the Early Childhood Education and Development Act of 1989; or

[(ii) reduce the level of standards applicable to child care services provided in the State and to the matters referred to in sections 658F, even if such standards exceed the model standards established under section 658H(e)(2) by the Secretary unless the State demonstrates, to the satisfaction of the Secretary that the reduction is based on positive developmental practice.

[(E) That for each fiscal year the State will use an amount not to exceed 2 percent of the amount of funds received under section 658B by the State for such fiscal year to administer the State plan.

[(F) That the State will pay funds under this subchapter to eligible child care providers in a timely fashion to ensure the continuity of child care services to eligible children.

[(G) That each eligible child care provider who provides services for which assistance is provided under paragraph (3)—

[(i) to the maximum extent feasible, provides child care services to a reasonable mix of children, including children from different socioeconomic backgrounds and children with a disability;

[(ii) after the expiration of the 4-year period beginning on the date of the enactment of the Early Childhood Education and Development Act of 1989, complies with the minimum child care standards established under section 658F(a) by the State; and

[(iii) complies with the State plan and the requirements of this subchapter.

[(H) That child care services for which assistance is provided under paragraph (3) are available to children who are identified in the local needs assessments to receive special attention.

[(I) That child care providers in the State are encouraged to develop personnel policies that include compensated time for staff undergoing training required under this subchapter.

[*(J) That child care services for which assistance is provided under paragraph (3) are provided for an adequate number of hours and days to serve the needs of parents of eligible children, including parents who work nontraditional hours.*

[*(3) CHILD CARE SERVICES.—The plan shall provide that the State will use the amount allotted to the State in any fiscal year to provide child care services that meet the requirements of this subchapter to eligible children in the State on a sliding fee scale basis and using funding methods provided for in section 658D, and in providing for such services will give priority to children whose families have very low income.*

[*(4) DISTRIBUTION OF FUNDS.—The plan shall provide that funds will be distributed, to the maximum extent feasible—*

[*(A) to a variety of types of child care providers in each community, including center-based child care providers, group home child care providers, and family child care providers; and*

[*(B) equitably among applicants in rural and urban areas.*

[*(5) REIMBURSEMENTS.—The plan shall provide that, for child care services for which assistance is provided under this subchapter, reimbursement (including any fee paid by the family of a child that receives such services) shall be made at not less than the fair market rate for such services in the geographical area in the State in which such services are being provided and that such reimbursement will reflect the additional cost to a provider of special services or a provider serving special populations of children, with a higher rate of reimbursement being provided for—*

[*(A) programs providing comprehensive child care services and family support services to adolescent parents;*

[*(B) the care of eligible children who have a disability; and*

[*(C) eligible children who are less than 3 years of age.*

[*(d) APPROVAL OF APPLICATIONS.—The Secretary shall approve an application submitted under this section that satisfies the requirements of this section but only if—*

[*(1) the State that submitted such application also submitted an application for a grant under the Child Care and Early Childhood Development Coordinating Activities Act for the same fiscal year; and*

[*(2) the application submitted under the Child Care and Early Childhood Development Coordinating Activities Act is approved.*

[***SEC. 658D. SPECIAL RULES FOR USE OF STATE ALLOTMENTS.***

[*(a) GRANTS AND CONTRACTS.—The child care services referred to in section 658C(c)(3) that are to be provided out of the allotment to a State, shall be provided—*

[*(1) by contracts with or grants to eligible child care providers who agree to provide such services directly to eligible children; or*

[*(2) by grants to units of general purpose local government or contracts with nonprofit private organizations to provide child care services by making grants to or contracts with eligible child care providers.*

[*(b) REQUIREMENTS.—For purposes of subsection (a), each entity that makes a grant to or contract with an eligible child care provider shall—*

[*(1) identify eligible children; and*

[*(2) allow the parents of eligible children to select from among all eligible child care providers to provide child care services.*

[***SEC. 648E. CONTINUING ELIGIBILITY OF STATES.***

[*A State shall be ineligible for funds under this subchapter after the expiration of the 4-year period beginning on the date of the enactment of the Early Childhood Education and Development Act of 1989 unless the State demonstrates to the satisfaction of the Secretary that all child care providers that receive public financial assistance and that are required to be licensed and regulated in the State—*

[*(1) are so licensed and regulated;*

[*(2) satisfy the minimum child care standards established under section 658F(a) by the State; and*

[*(3) are subject to the enforcement provisions referred to in section 659E(c)(4) of the Child Care and Early Childhood Development Coordinating Activities Act.*

[***SEC. 685F. MINIMUM STATE CHILD CARE STANDARDS AND TRAINING REQUIREMENT.***

[*(a) MINIMUM CHILD CARE STANDARDS.—A State that receives funds under this subchapter after the expiration of the 3-year period beginning on the date of the enactment of the Early Childhood Education and Development Act of 1989 shall have in effect minimum child care standards that address all of the matters specified in paragraphs (1), (2), and (3) of section 658H(d) and that apply with respect to child care services provided in the State by child care providers that receive public financial assistance and that are required to be licensed and regulated by the State.*

[*(b) MINIMUM TRAINING REQUIREMENT.—A State that receives funds under this subchapter after the expiration of the 2-year period beginning on the date the enactment of the Early Childhood Education and Development Act of 1989 shall require that all child care providers (and the caregivers employed by such providers) that receive public financial assistance and that are required to be licensed and regulated in the State complete annually at least 15 hours of training.*

[***SEC. 658G. FEDERAL ENFORCEMENT.***

[*(a) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor State compliance with this subchapter and the plan approved under section 658C(d) for the State.*

[*(b) NONCOMPLIANCE.—*

[*(1) IN GENERAL.—If the Secretary, after reasonable notice and opportunity for a hearing to a State, finds that—*

[*(A) there has been a failure by the State to comply substantially with any provision or any requirements set forth in the plan approved under section 658C(d) for the State; or*

[*(B) in the operation of any program or project for which assistance is provided under this subchapter there is a failure by the State to comply substantially with any provision of this subchapter;*

the Secretary shall notify the State of the finding and that no further payments may be made to such State under this subchapter (or, in the case of noncompliance in the operation of program or activity, that no further payments to the State will be made with respect to such program or activity) until the Secretary is satisfied that there is no longer any such failure to comply or that the noncompliance will be promptly corrected.

[*(2) ADDITIONAL SANCTIONS.—In the case of a finding of noncompliance made pursuant to this paragraph (1), the Secretary may, in addition to imposing the sanctions described in such paragraph, impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by his subchapter, and disqualification from the receipt of financial assistance under this subchapter.*

[*(3) NOTICE.—The notice required under paragraph (1) shall include a specific indentification of any additional sanction being imposed under paragraph (2).*

[*(c) ISSUANCE OF RULES.—The Secretary shall establish by rule procedures for—*

[*(1) receiving, processing, and determining the validity of complaints concerning any failure of a State to comply with the State plan or any requirement of this subchapter; and*

[*(2) imposing sanctions under this section.*

[***SEC. 658H. NATIONAL ADVISORY COMMITTEE ON MODEL CHILD CARE STANDARDS.***

[*(a) ESTABLISHMENT.—*

[*(1) IN GENERAL.—In order to improve the quality of child care services, the Secretary shall establish, not later than 60 days after the date of the enactment of the Early Childhood Education and Development Act of 1989, the National Advisory Committee On Model Child Care Standards the members of which shall be appointed from among representatives of—*

[*(A) persons who carry out various types of child care programs;*

[*(B) persons who carry out resource and referral programs;*

[*(C) child care and early childhood development specialists;*

[*(D) early childhood education specialists and specialists in the education of children with a disability and children whose English language proficiency is limited as a result of their non-English language background;*

[*(E) individuals who have expertise in pediatric health care, nutrition, disabilities, and related fields;*

[*(F) organizations representing child care employees;*

[*(G) individuals who have experience in the regulation of child care services;*

[*(H) parents who have been actively involved in child care programs; and*

[*(I) States.*

[*(2) APPOINTMENT OF MEMBERS.—The Committee shall be composed of 21 members of which—*

[*(A) 7 members shall be appointed by the President;*

[*(B) 4 members shall be appointed by the majority leader of the Senate;*

[*(C) 3 members shall be appointed by the minority leader of the Senate;*

[*(D) 4 members shall be appointed by the Speaker of the House of Representatives; and*

[*(E) 3 members shall be appointed by the minority leader of the House of Representatives.*

Not less than one-third of the members of the Committee shall be appointed from among individuals described in paragraph (1)(H).

[*(3) CHAIRMAN.—The Committee shall appoint a chairman from among the members of the Committee.*

[*(4) VACANCIES.—A vacancy occurred on the Committee shall be filled in the same manner as that in which the original appointment was made.*

[*(b) PERSONNEL, REIMBURSEMENT, AND OVERSIGHT.—*

[*(1) PERSONNEL.—The Secretary shall make available to the Committee office facilities, personnel who are familiar with child development and with developing and implementing regulatory requirements, technical assistance, and funds as are necessary to enable the Committee to carry out effectively its duties.*

[*(2) REIMBURSEMENT.—(A) Members of the Committee who are not regular full-time employees of the United States Government shall, while attending meetings and conferences of the Committee or otherwise engaged in the business of the Committee (including traveltime), be entitled to receive compensation at the rate specified at the time of such service under GS–18 of the General Schedule established under section 5332 of title 5, United States Code.*

[*(B) While away from their homes or regular places of business on the business of the Committee, such members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.*

[*(3) OVERSIGHT.—The Secretary shall ensure that the Committee is established and operated in accordance with the Federal Advisory Committee Act (5 U.S.C. App.).*

[*(c) DUTIES.—The Committee shall—*

[*(1) review Federal policies with respect to child care services and such other data as the Committee may deem appropriate;*

[*(2) not later than 180 days after the date on which a majority of the members of the Committee are first appointed, submit to the Secretary proposed model standards described in subsection (d) for child care services, taking into account the different*

needs of infants, toddlers, and preschool and school-age children; and

[(3) develop and make available to lead agencies, for distribution to resource and referral agencies in the State, model requirements for resource and referral agencies.

[(d) MODEL CHILD CARE STANDARDS.—The proposed model child care standards submitted pursuant to subsection (c)(2) shall consist of only the following:

[(1) CENTER-BASED CHILD CARE SERVICES.—Such standards submitted with respect to child care services provided by center-based child care providers shall be limited to—

[(A) group size limits in terms of the number of caregivers and the number of ages of children;

[(B) the maximum appropriate child-staff ratios;

[(C) qualifications and background of child care personnnel;

[(D) health, nutrition, and safety requirements for children and caregivers; and

[(E) parental involvement in licensed and regulated child care services.

[(2) FAMILY CHLD CARE SERVICES.—Such standards submitted with respect to child care services provided by family child care providers shall be limited to—

[(A) the maximum number of children for which child care services may be provided and the total number of infants for which child care services may be provided;

[(B) the minimum age for caregivers; and

[(C) health, nutrition, and safety requirements for children and caregivers.

[(3) GROUPS HOME CHILD CARE SERVICES.—Such standards submitted with respect to child care services provided by group home child care providers shall be limited to the matters specified in paragraphs (1)(B) and (2).

[(e) CONSIDERATION AND ESTABLISHMENT OF STANDARDS.—

[(1) NOTICE OF PROPOSED RULEMAKING.—Not later than 90 days after receiving the recommendations of the Committee, the Secretary shall—

[(A) publish in the Federal Register—

[(i) a notice of proposed rulemaking concerning the model standards proposed under subsection (d) to the Secretary; and

[(ii) such proposed model standards for public comment; and

[(B) distribute such proposed model standards, for comment, to each lead agency and each State committee on child care licensing established under section 659G of the Child Care and Early Childhood Development Coordinating Activities Act.

[(2) ESTABLISHMENT OF MODEL CHILD CARE STANDARDS.—(A) The Secretary shall, in consultation with the Committee—

[(i) take into consideration any comments received by the Secretary with respect to the model standards proposed under subsection (d); and

[*(ii) not later than 180 days after publication of such standards, shall issue rules establishing model child care standards for purposes of this subchapter. Such standards shall include nutrition requirements.*

[*(B) The Secretary may amend any standard first established under subparagraph (A), except that such standard may not be modified, by amendment or otherwise, to make such standard less comprehensive or less stringent than it is when first established.*

[*(3) ADDITIONAL COMMENTS.—The Committee may submit to the Secretary and to the Congress such additional comments on the model child care standards established under paragraph (2) as the Committee considers appropriate.*

[*(f) TERMINATION OF COMMITTEE.—The Committee shall cease to exist 90 days after the date the Secretary establishes model child care standards under subsection (e)(2).*

[*SEC. 658I. ESTABLISHMENT AND REVISION OF SLIDING FEE SCALE.*

[*The State shall establish and periodically revise, by rule, a sliding fee scale that provides for cost sharing between the Federal Government (acting indirectly through the State and service providers) and the families that receive child care services for which assistance is provided under this subchapter. Such fee scale shall be based on the services provided to, and the income of the families (adjusted for family size and extraordinary medical expenses paid by the family as a result of a disability of a family member) or, eligible children who receive such services, except that families whose income does not exceed the poverty line (as determined under section 652 of the Head Start Act) may not be required to pay a fee for such services.*

[*SEC. 658J. APPLICABILITY OF PROVISIONS OF THE HEAD START ACT.*

[*Sections 654, 655, and 656 of the Head Start Act (42 U.S.C. 9849–9851) shall apply with respect to this subchapter to the same extent and in the same manner as such sections apply with respect to such Act. No child care provider receiving financial assistance under this subchapter shall engage in any sectarian activity, including sectarian worship and instruction, in the program for which such assistance is received.*

[*SEC. 658K DEFINITIONS.*

[*As used in this subchapter:*

[*(1) CAREGIVER.—The term "caregiver" means an individual who provides a service directly to an eligible child on a person-to-person basis*

[*(2) CENTER-BASED CHILD CARE PROVIDER.—The term "center-based child care provider" means a child care provider that provides child care services in a nonresidential facility, and may include a nonprofit institution of higher education.*

[*(3) COMMITTEE.—The term "Committee" means the National Advisory Committee On Model Child Care Standards established under section 658H(a).*

[*(4) DISABILITY.—The term "disability" means any condition set forth in section 602(a)(1) of the Education of the Handicapped Act (20 U.S.C. 1401(a)(1)) or subparagraph (A) or (B) of*

section 672(1) of the Education of the Handicapped Act (20 U.S.C. 1472(1)).

[(5) ELIGIBLE CHILD.—The term "eligible child" means an individual—

[(A) who is—

[(i) less than the age of compulsory school attendance; or

[(ii) for purposes of receiving child care services while the school attended by such individual is not in regular session for such child, of an age of compulsory school attendance but less than 13 years of age;

[(B) whose family income does not exceed 160 percent of the lower living standard income level; and

[(C) who—

[(i) resides with 1 or more parents each of whom is working, or attending a job training or educational program; or

[(ii) is receiving, or needs to receive, protective services and resides with a parent or parents not described in clause (i).

[(6) ELIGIBLE CHILD CARE PROVIDER.—The term "eligible child care provider" means—

[(A) a center-based child care provider, a group home child care provider, a family child care provider, or other provider of child care services for compensation that—

[(i) is licensed or regulated under State law;

[(ii) satisfies—

[(I) the Federal requirements, except as provided in clause (iii); and

[(II) the State and local requirements, applicable to the child care services it provides; and

[(iii) after the expiration of the 4-year period beginning on the date of the enactment of the Early Childhood Education and Development Act of 1989, complies with the minimum child care standards established under section 658F(a) by the State that are applicable to the child care services it provides; or

[(B) a child care provider who provides child care services only to an eligible child who is, by affinity or consanguinity, the grandchild of such provider if such provider satisfies the State requirements (if any) applicable to such services.

[(7) FAMILY CHILD CARE PROVIDER.—The term "family child care provider" means 1 individual who provides child care services to any eligible child who does not reside with such individual, as the sole caregiver and in the private residence of such individual.

[(8) FAMILY SUPPORT SERVICES.—The term "family support services" means services that assist parents by providing support in parenting and by linking parents with community resources and with other parents.

[(9) GROUP HOME CHILD CARE PROVIDER.—The term "group home child care provider" means 2 or more individuals who

jointly provide child care services in a private residence to any eligible child who does not reside with any of such individuals.

[(10) INDIAN TRIBE.—The term "Indian tribe" has the meaning given it in section 4(e) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(e)).

[(11) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" has the meaning given such term in section 481(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1)), except that with respect to a tribally controlled community college such term has the meaning given it in section 2(a)(5) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801(a)(5)).

[(12) LEAD AGENCY.—The term "lead agency" means the agency designated under section 659D of the Child Care and Early Childhood Development Coordinating Activities Act.

[(13) LOWER LIVING STANDARD INCOME LEVEL.—The term "lower living standard income level" means that income level (adjusted for regional, metropolitan, urban, and rural differences and family size) determined annually by the Secretary of Labor and based on the most recent lower living family budget issued by the Secretary of Labor.

[(14) NON-ENGLISH LANGUAGE BACKGROUND.—The term "non-English language background" means the experience of living in a home in which the primary language spoken is not English.

[(15) PARENT.—The term "parent" includes a legal guardian or other person standing in loco parentis.

[(16) SCHOOL LUNCH FACTOR.—The term "school lunch factor" means the ratio of the number of children in the State who are receiving free or reduced price lunches under the school lunch program established under the National School Lunch Act (42 U.S.C. 1751 et seq.) to the number of children in all the States who are receiving free or reduced price lunches under such program.

[(17) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services unless the context specifies otherwise.

[(18) SLIDING FEE SCALE.—The term "sliding fee scale" means the sliding fee scale established and revised under section 658I.

[(19) STATE.—The term "State" means any of the several States, the District of Columbia, the Virgin Islands of the United States, the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

[(20) TRIBAL ORGANIZATION.—The term "tribal organization" has the meaning given it in section 4(1) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(1)).

[(21) UNIT OF GENERAL PURPOSE LOCAL GOVERNMENT.—The term "unit of general purpose local government" means a city, county, town, parish, village, or other general purpose political subdivision of a State.

[(22) YOUNG CHILD FACTOR.—The term "young child factor" means the ratio of the number of children in the State who are less than 6 years of age to the number of children in all the States who are less than 6 years of age.]

Subchapter [D]—Child Care and Early Childhood Development Coordinating Activities

SEC. 659A. SHORT TITLE.

This subchapter may be cited as the "Child Care and Early Childhood Development Coordinating Activities Act".

SEC. 659B. AUTHORITY OF PROVIDE FINANCIAL ASSISTANCE.

The Secretary may provide financial assistance to eligible States, and to Indian tribes and tribal organizations, to carry out this subchapter.

SEC. 659C. AMOUNTS RESERVED; ALLOTMENTS.

[(a) AMOUNTS RESERVED.—From the amount made available under section 3(b)(4) of the Early Childhood Education and Development Act of 1989 in each fiscal year, the Secretary shall reserve and allot amounts for States, and for Indian tribes and tribal oranizations, in the same manner as provided in subsections (a), (b), (c)(1), (c)(2), and (e) of section 658B of the Child Care Services For Infants, Toddlers, And Young Children Act, except that for purpose of this subsection of reference in such subsections to—

[(1) the State plan shall be deemed to be a reference to the State plan required by section 659E;

[(2) section 3(b)(3) of the Early Childhood Education and Development Act of 1989 shall be deemed to be a reference to section 3(b)(4) of such Act;

[(3) a subchapter shall be deemed to be a reference to this subchapter; and

[(4) a provision of section 658C of the Child Care Services For Infants, Toddlers, And Young Children Act shall be deemed to be a reference to the corresponding provision of section 659E.]

(a) AMOUNTS RESERVED.—

(1) TERRITORIES AND POSSESSIONS.—The Secretary shall reserve not to exceed one half of 1 percent of the amount made available under section 3(b)(3) of the Early Childhood Education and Development Act of 1989 in each fiscal year for payments to Guam, American Samoa, the Virgin Islands of the United States, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and Palau, to be allotted in accordance with their respective needs.

(2) INDIANS.—The Secretary shall reserve an amount, not less than 1.5 percent and not more than 3 percent of the amount made available under section 3(b)(3) of the Early Childhood Education and Development Act of 1989 in each fiscal year, to carry out subsection (c) regarding Indian children.

(b) STATE ALLOTMENT.—

(1) GENERAL RULE.—From the remainder of the amount made available under section 3(b)(3) of the Early Childhood Education and Development Act of 1989 for each fiscal year, the Secretary shall allot to each State (excluding jurisdictions referred to in subsection (a)(1)) an amount equal to the sum of—

(A) an amount that bears the same ratio to 50 percent of such remainder as the product of the young child factor of the State and the allotment factor bears to the sum of the corresponding products for all States; and

(B) an amount that bears the same ratio to 50 percent of such remainder as the product of the school lunch factor of the State and the allotment factor bears to the sum of the corresponding products for all the States.

(2) ALLOTMENT PERCENTAGE.—

(A) IN GENERAL.—The allotment factor for a State is determined by dividing—

(i) the per capita income of all individuals in the United States; by

(ii) the per capita income of all individuals in the State.

(B) LIMITATIONS.—If a sum determined under subparagraph (A)—

(i) exceeds 1.2, then the allotment factor of that State shall be considered to be 1.2; and

(ii) is less than 0.8, then the allotment percentage of the State shall be considered to be 0.8.

(C) PER CAPITA INCOME.—For purposes of subparagraph (A), per capita income shall be—

(i) determined at 4-year intervals;

(ii) applied for the 4-year period beginning on October 1 of the first fiscal year beginning on the date such determination is made; and

(iii) equal to the average of the annual per capita incomes for the most recent period of 3 consecutive years for which satisfactory data are available from the Department of Commerce at the time such determination is made.

(c) PAYMENTS FOR THE BENEFIT OF INDIAN CHILDREN.—

(1) INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—From the funds reserved under subsection (a)(2), the Secretary may, upon the application of an Indian tribe or tribal organization, enter into a contract with or make a grant to such Indian tribe or tribal organization for a period of 2 years, subject to satisfactory performance, to plan and carry out programs and activities that are consistent with this subchapter. Such contract or grant shall be subject to the terms and conditions of section 102 of the Indian Self-Determination Act (25 U.S.C. 450f) and shall be conducted in accordance with sections 4, 5, and 6 of the Act of April 16, 1934 (48 Stat. 596; 25 U.S.C. 655–657), that are relevant to such programs and activities.

(2) INDIAN RESERVATIONS.—In the case of an Indian tribe in a State other than the States of Oklahoma, Alaska, and

California, such programs and activities shall be carried out on the Indian reservation for the benefit of Indian children.

(d) REALLOTMENTS.—

(1) IN GENERAL.—Any portion of the allotment under subsection (b) to a State that the Secretary determines is not required to carry out a State plan approved under section 659E(d), in the period for which the allotment is made available, shall be reallotted by the Secretary to other States in proportion to the original allotments to the other States.

(2) LIMITATIONS.—

(A) REDUCTION OF EXCESS REALLOTMENTS.—The amount of any reallotment to which a State is entitled to under paragraph (1) shall be reduced to the extent that it exceeds the amount that the Secretary estimates will be used in the State to carry out a State plan approved under section 659E(d).

(B) REALLOTMENT OF EXCESS REALLOTMENTS.—The amount of such reduction shall be similarly reallotted among States for which no reduction in an allotment or reallotment is required by this subsection.

(3) AMOUNTS REALLOTTED.—For purposes of any other section of this subchapter, any amount reallotted to a State under this subsection shall be deemed to be part of the allotment made under subsection (b) to the State.

SEC. 659D. LEAD AGENCY.

(a) DESIGNATION.—The chief executive officer of a State that desires to receive funds under this subchapter shall designate, in an application submitted to the Secretary under section 659E(a), a State agency to act as the lead agency to perform administrative functions to carry out this subchapter.

(b) ASSISTANCE TO LOCAL CHILD DEVELOPMENT COUNCILS.—The lead agency shall provide to the local child development councils established under section 659F(a) such funds and administrative support services (including personnel), directly or by contract, as may be necessary to enable the councils to carry out their duties under section 659F.

SEC. 659E. APPLICATION AND PLAN.

(a) APPLICATION.—To be eligible to receive funds under this subchapter, a State shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require by rule.

(b) PLAN.—The application of a State submitted under subsection (a) shall include an assurance that the State will comply with the requirements of this subchapter and a State plan that is designed to be implemented during a 4-year period and that meets the requirements of subsection (c).

(c) REQUIREMENTS OF THE PLAN.—

(1) LEAD AGENCY.—The plan shall contain an assurance that funds received under this subchapter by the State will be administered by the lead agency and shall identify the lead agency designated in accordance with section 659D.

(2) MANDATORY ACTIVITIES.—The plan shall provide that the State will use funds allotted under section 659C to do all of the following:

(A) In at least 1 fiscal year in each 4-year period, provide financial assistance to establish or expand local resource and referral programs under section 659H.

(B) In each fiscal year, improve the quality of child care services and early childhood development programs in the State by providing training in accordance with the requirements of section 659I.

(C) In each fiscal year, improve the quality of child care services by improving the monitoring of compliance with, and enforcement of, the licensing and regulatory requirements (including registration requirements) of the State.

(D) In the first fiscal year and at 4-year intervals thereafter, collate into a single document the most recent needs assessments (as revised to date) received under section 659F by the lead agency and transmit to the Secretary a copy of such document.

(E) In at least 1 fiscal year in each 4-year period, improve salaries and other compensation paid to full- and part-time staff who provide child care services—

(i) for which assistance is provided under the Head Start Act, title VIII of the Elementary and Secondary Education Act of 1965, or **[***the Child Care Services For Infants, Toddlers, And Young Children Act;***]** **title XX of the Social Security Act;** *and*

(ii) to the extent practicable, in other major Federal and State child care programs;

to the extent that such salaries and other compensation are inadequate.

(3) OTHER ACTIVITIES.—The plan shall provide that funds allotted under section 659C not necessary to carry out paragraph (2) will be used to carry out 1 or more of the following:

(i) Make low-interest loans to eligible child care providers that are nonprofit child care providers and family child care providers to make renovations and improvements in existing facilities to be used to carry out child care programs.

(ii) Make grants or low-interest loans to child care providers to assist such providers to meet Federal, State, and local child care standards, giving priority to such providers that serve children of families that have very low income.

(iii) Make grants to eligible child care providers that demonstrate that they have received commitments from businesses to contribute to such providers not less than 3 times the amount of such grants. The aggregate amount of grants made under this clause in a fiscal year to a single eligible child care provider may not exceed $50,000.

(iv) Make grants under section 659J to businesses.

(v) Promote the involvement of local public libraries in improving early childhood learning resources and in expanding the availability of such resources to eligible child care providers.

Amounts (including interest) received by the State for the repayment of loans made under this paragraph shall be used by the State to carry out this subchapter.

(4) ENFORCEMENT OF LICENSING AND OTHER REGULATORY REQUIREMENTS (INCLUDING REGISTRATION REQUIREMENTS).—The plan shall provide that the State, not later than 3 years after the date of enactment of the Early Childhood Education and Development Act of 1989, shall have in effect enforcement policies and practices that will be applicable to all licensed or regulated child care providers (including child care providers required to register) in the State, including policies and practices that—

(A) require personnel who perform inspection functions with respect to licensed or regulated child care services to receive training in child development, health and safety, child abuse prevention and detection, the needs of children with a disability, program management, and relevant law enforcement;

(B) impose personnel requirements to ensure that individuals who are hired as licensing inspectors are qualified to inspect and, to the maximum extent feasible, have inspection responsibility exclusively for children's services;

(C) require—

(i) personnel who perform inspection functions with respect to licensed or regulated child care services to make not less than 1 unannounced inspection of each center-based child care provider in the State annually;

(ii) personnel who perform inspection functions with respect to licensed or regulated child care services to make unannounced inspections annually, and during normal hours of operation, of not less than 25 percent of licensed and regulated family child care providers in the State; and

(D) require the ratio of licensing personnel to child care providers in the State to be maintained at a level sufficient to enable the State to conduct inspections of child care facilities and providers on a timely basis and otherwise to comply with the enforcement requirements of this section;

(E) require licensed or regulated child care providers (including registered child care providers) in the State—

(i) to have written policies and program goals and to make a copy of such policies and goals available to parents; and

(ii) to provide parents with unlimited access to their children whenever children of such parents are in the care of such providers;

(F) implement a procedure to address complaints that will provide a reasonable opportunity for a parent, or child care provider, that is adversely affected or aggrieved by a decision of the lead agency or any program or activity assisted under this subchapter [or the Child Care Services For Infants, Toddlers, And Young Children Act], to be heard by the State;

(G) prohibit the operator of a child care facility to take any action against an employee of such operator that would adversely affect the employment, or terms or conditions of employment, of such employee because such employee communicates a failure of such operator to comply with any applicable licensing or regulatory requirement;

(H) make consumer education information available to inform parents and the general public about licensing requirements, complaint procedures, and policies and practices required by this paragraph;

(I) require a child care provider to post, on the premises where child care services are provided, the telephone number of the appropriate licensing or regulatory agency that parents may call regarding a failure of such provider to comply with any applicable licensing or regulatory requirement; and

(J) require the State to maintain a record of parental complaints and to make information regarding substantiated parental complaints available to the public on request.

(5) DATA COLLECTION.—The plan shall provide for the collection, and submission to the Secretary, by the State of data designed to show—

(A) by race, sex, ethnic origin, disability, and limited English language proficiency resulting from non-English language background, how the child care needs of families in the State are being fulfilled, including information on—

(i) the number of children being assisted with funds provided under this subchapter, and under other State and Federal child care programs;

(ii) the type and number of child care programs, child care providers, caregivers, and support personnel located in the State;

(iii) the cost of child care services; and

(iv) salaries and other compensation paid to full- and part-time staff who provide child care services; and

(B) the extent to which the availability of child care services has been increased[*; and*]*.*

[*(C) that the State complies with the applicable requirements of section 658F of the Child Care Services For Infants, Toddlers, And Young Children Act.*] **title XX of the Social Security Act.**

(6) PROPORTIONAL EXPENDITURES FOR SALARIES AND RENOVATION.—The plan shall provide that of the funds expended under paragraphs (2)(E) and (3)(A)(i)—

(A) 29 percent shall be expended for the benefit of staff and providers who provide developmentally appropriate child care services for which funds are expended under the Head Start Act;

(B) 29 percent shall be expended for the benefit of staff and providers who provide services in programs for which funds are expended under title VIII of the Elementary and Secondary Education Act of 1965; and

(C) 42 percent shall be expended for the benefit of staff and providers who provide child care services for which

funds are expended under [*the Child Care Services For Infants, Toddlers, And Young Children Act.*] **title XX of the Social Security Act.**

(7) REPORT.—The plan shall provide that not later than December 31, 1991, and at 2-year intervals thereafter, the State will submit to the Secretary a report—

(A) specifying—

(i) the uses for which the State expended under paragraph (2) funds allotted to the State; and

(ii) with respect to each purpose specified under clause (i), the amount of such funds expended;

(B) stating the reasons supporting the selection of each such use and the amount of such funds expended for each such use; and

(C) identifying the extent to which other resources of the State were expended for each of the activities described in subparagraphs (A) through (E) of such paragraph;

during the 2-year period for which such report is required to be submitted.

SEC. 659F. NEEDS AND RESOURCES ASSESSMENT.

(a) APPOINTMENT OF LOCAL CHILD DEVELOPMENT COUNCILS.—(1) The chief elected executive authority of each unit of general purpose local government in a State shall establish separately, or jointly with any other chief elected executive authority of a unit of general purpose local government in such State, a local child development council and shall appoint the members of the council.

(2) The council shall be composed of any number of members, except that—

(A) not less than 25 percent of the members shall be representatives of Head Start agencies (if any) that operate in the geographical area that is under the jurisdiction of such government;

(B) not less than 25 percent of the members shall be representatives of providers of different types of child care services (including caregivers and directors) and organizations that carry out resource and referral programs of the kind described in section 659H(b);

(C) not less than 25 percent of the members shall be representatives of local educational agencies, school board members, and teachers involved in providing early childhood development programs and before- and after-school child care programs;

(D) not less than 25 percent of the members shall be representatives of businesses, the labor force, units of general purpose local government, and organizations in the fields of nutrition, public health, and child development; and

(E) 25 percent of the members appointed under subparagraphs (A) through (D) shall be parents, including parents of children who are eligible to receive—

(i) developmentally appropriate child care services under the Head Start Act;

(ii) services in programs under title VIII of the Elementary and Secondary Education Act of 1965; and

(iii) child care services under [*the Child Care Services For Infants, Toddlers, And Young Children Act.*] **Title XX of the Social Security Act.**

(b) PREPARATION AND REVISION OF LOCAL NEEDS AND RESOURCES ASSESSMENTS.—A State that receives funds under this subchapter for a fiscal year shall require each council—

(1) to prepare and submit to the lead agency, in accordance with guidelines issued by the chief executive officer of the State, a written assessment of—

(A) the needs and resources for child care services and early childhood development services in the geographical area for which the council is established; and

(B) the effectiveness of existing child care services, early childhood development services, and related services for which assistance is provided under this subchapter or under other laws, in meeting such needs; and

(2) at 4-year intervals after submitting such assessment, to revise such assessment to reflect changes in such needs, resources, and effectiveness occurring during the then most recently concluded 4-year period.

For purposes of preparing and revising such assessment, the council shall give special attention to meeting the needs for services for low-income children, migrant children, children with a disability, foster children, children in need of protective services, children of adolescent parents, homeless children, and children with limited English-language proficiency resulting from non-English language background.

SEC. 659G. STATE COMMITTEE ON CHILD CARE LICENSING.

(a) ESTABLISHMENT.—The chief executive officer of a State that receives funds under this subchapter shall establish, in the first fiscal year for which such funds are received, a State committee on child care licensing and shall appoint the members of the committee.

(b) COMPOSITION.—The committee shall be composed of—

(1) 1 representative of the State department of health;

(2) 1 representative of the State department of human services or of social services;

(3) 1 representative of the State department of education;

(4) at least 1 representative of different types of providers (including caregivers and directors) of child care services, including providers who serve school-age children;

(5) at least 1 representative of resource and referral programs;

(6) 1 pediatrician;

(7) parents of children receiving or in need of child care services, including parents whose children are receiving or are in need of subsidized child care services;

(8) 1 representative of fire marshals and building inspectors;

(9) 1 representative of child protective services; and

(10) at least 1 representative of local educational agencies and teachers involved in providing child care services.

(c) DUTIES.—

(1) REVIEW OF LICENSING AUTHORITY.—The committee shall review the law applicable to, and the licensing requirements and the policies of, each licensing agency that regulates child

care services and programs in the State unless the State has reviewed such law, requirements, and policies in the 4-year period ending on the date of the establishment of the committee under subsection (a).

(2) REPORT.—(A) Not later than 18 months after establishment of the committee under subsection (a), the committee shall prepare and submit a report to the chief executive officer of the State involved.

(B) Such report shall contain—

(i) a statement of the findings and recommendations that result from the committee review under paragraph (1), including a description of the current status of child care licensing, regulating, monitoring, and enforcement in the State;

(ii) a detailed statement identifying and describing the deficiencies in the existing licensing, regulating, and monitoring programs of the State involved, including an assessment of the adequacy of personnel to carry out such programs effectively, and recommendations to correct such deficiencies or to improve such programs;

(iii) comments on the model child care standards established by the Secretary under section [*658H(e)(2) of the Child Care Services For Infants, Toddlers, And Young Children Act;*] **303 of the Early Childhood Education and Development Act of 1989;**

(iv) recommendations regarding standards that should apply to local educational agencies that receive funds under title VIII of the Elementary and Secondary Education Act of 1965 to provide child care services; and

(v) at the option of the State, a plan describing the present level of child care standards in the State, the adequacy of the State's fiscal resources, and improvements to the child care standards to be made with funds which shall be made available not later than 3 years after the date of enactment by the Secretary of Health and Human Services for a program of grants to assist States in improving child care standards and the enforcement of such standards. The Secretary shall promulgate regulations concerning the application and criteria for receipt of funds under this clause.

(3) RECEIPT OF REPORT BY THE CHIEF EXECUTIVE OFFICER OF THE STATE.—Not later than 60 days after receiving the report from the committee, the chief executive officer of the State shall transmit such report to the Secretary with—

(A) the comments of the chief executive officer of the State; and

(B) a plan for correcting deficiencies in, or improving the licensing, regulating, and monitoring, of the child care services and programs referred to in paragraph (1).

(4) TERMINATION OF ASSISTANCE.—None of the funds received under this subchapter may be used to carry out any activity under this section occurring more than 90 days after the State submits a report required by paragraph (2).

(d) SERVICES AND PERSONNEL.—

(1) AUTHORITY.—The lead agency is authorized to provide the services of such personnel, and to contract for such other services as may be necessary, to enable the committee to carry out its duties under this section.

(2) REIMBURSEMENT.—Members of the committee shall be reimbursed by the lead agency, in accordance with standards established by the Secretary, for necessary expenses incurred by such members in carrying out the duties of the committee.

(3) SUFFICIENCY OF FUNDS.—The Secretary shall ensure that sufficient funds are made available, from funds received by the State under this subchapter, to the committee to carry out its duties under this section.

SEC. 659H. RESOURCE AND REFERRAL PROGRAMS.

(a) RECOGNITION.—Each State that receives funds under this subchapter shall recognize a community-based organization, a public organization, a unit of general purpose local government, or a public agency that represents a combination of units of general purpose local government as the resource and referral agency for a particular geographical area in the State.

(b) FUNDING.—Each State that receives funds under this subchapter for a fiscal year shall provide assistance, in such fiscal year, to the organizations recognized under subsection (a) to enable such organizations to carry out resource and referral programs—

(1) to identify existing child care services;

(2) to provide to interested parents information and referral regarding such services;

(3) to provide or arrange for the provision of information and training to existing and potential child care providers and to others (including businesses) concerned with the availability of child care services; and

(4) to provide information on the demand for and supply of child care services located in a community.

(c) REQUIREMENTS.—To be eligible for recognition as a resource and referral agency for a designated geographical area in a State, an organization shall—

(1) have or acquire a database of information on child care services in the geographical area that the organization continually updates, including child care services provided in centers, nursery schools, and family child care settings;

(2) have the capability to provide resource and referral services in the designated geographical area;

(3) be able to respond in a timely fashion to requests for information or assistance;

(4) be a public agency, or a community-based organization, located in the geographical area to be served; and

(5) be able to provide parents with a checklist to identify quality child care services.

(d) DUTY.—An organization recognized under subsection (a) as a resource and referral agency shall gather, update, and provide information concerning child care services available from eligible child care providers in the geographical area served by such organization.

(e) LIMITATION ON INFORMATION.—An organization recognized under subsection (a) as a resource and referral agency shall not pro-

(D) provide grants to family child care providers for the purchase of moderate cost equipment to be used to provide child care services; and

(E) provide such other services to family child care providers in the communities of such organization as the lead agency determines to be appropriate.

(d) PROPORTIONAL DISTRIBUTION OF TRAINING.—Of the funds expended by a State carry out subsections (b) and (c)—

(1) 29 percent shall be expended for the benefit of staff who provide developmentally appropriate child care services for which funds are expended under the Head Start Act;

(2) 29 percent shall be expended for the benefit of staff who provide services in programs for which funds are expended under title VIII of the Elementary and Secondary Education Act of 1965; and

(3) 42 percent shall be expended for the benefit of staff who provide child care services for which funds are expended under [*the Child Care Services For Infants, Toddlers, And Young Children Act*] **title XX of the Social Security Act.**

SEC. 659J. CHILD CARE SERVICES PROVIDED BY BUSINESSES.

(a) ACTIVITIES AUTHORIZED.—A State that receives funds under this subchapter for a fiscal year may carry out activities in such fiscal year designed to encourage businesses in the State to support or provide child care services to a reasonable mix of children, including children from different socioeconomic backgrounds, of employees and nonemployees. Such activities may include—

(1) disseminating information relating to—

(A) model child care programs appropriate for implementation by such businesses;

(B) flexible employee work schedules; and

(C) the identity of individuals who are willing and qualified to speak to employers regarding the establishment and operation of child care programs;

(2) establishing a demonstration program under which grants are made to local nonprofit private organizations to improve and expand child care services in cooperation with employers who contribute to the cost of such improvement or expansion;

(3) making grants to businesses that directly provide exemplary child care services to enable such businesses to assist other businesses to provide child care services directly;

(4) making grants, on a competitive basis, to businesses and eligible child care providers jointly, to establish innovative programs to provide child care services;

(5) encouraging such businesses to participate in resource and referral activities carried out by organizations recognized under section 659H(a); and

(6) making grants to businesses that subsidize child care services provided to their employees.

In carrying out such activities, the chief executive officer of the State, or the designee of such officer, shall provide outreach to such businesses, and encourage such businesses to contribute to the cost of carrying out such activities.

(b) PRIORITY.—For the purpose of making grants under subsection (a)(2), the Secretary shall give priority to businesses that have fewer than 100 full-time employees.

SEC. 659K. LIBRARY SERVICES.

(a) INVOLVEMENT OF LIBRARIES.—A State that receives funds under this subchapter for a fiscal year, shall promote in such fiscal year the involvement of public libraries (and elementary and secondary school libraries, as appropriate), and the utilization of the services and resources of such libraries, in the activities for which funds appropriated under section 3(a) of the Early Childhood Education and Development Act of 1989 are expended.

(b) AUTHORITY TO MAKE GRANTS.—(1) In carrying out this subsection (a), a State may make grants to local public libraries (and elementary and secondary school libraries, as appropriate) to improve the quality of early childhood learning resources and to expand the availability of such resources to eligible child care providers (particularly family child care providers) that provide child care services to preschool children, and to the preschool children and their families served by such providers. Such grants may be expended—

(A) to acquire early childhood learning resources for circulation among such providers, and the preschool children and their families served by such providers; and

(B) to promote greater access to and use of early childhood learning resources by such providers, and by the preschool children and their families served by such providers, through such means as—

(i) training such providers and their staff in the selection and effective use of early childhood learning resources with preschool children;

(ii) maintaining deposit collections of early childhood learning resources on the premises of such providers and of resource and referral agencies;

(iii) supporting bookmobile services to deliver early childhood learning resources to family child care and other providers; and

(iv) developing and maintaining other appropriate outreach programs and services.

(c) This section shall be carried out in consultation with the State library administrative agency.

SEC. 659L. LIMITATIONS ON USE OF FINANCIAL ASSISTANCE.

(a) SUBSTITUTION OF FUNDS.—Funds received under—

(1) the amendments to the Head Start Act made by the Early Childhood Education and Development Act of 1989;

(2) title VIII of the Elementary and Secondary Education Act of 1965; or

[(3) the Child Care Services For Infants, Toddlers, And Young Children Act, or]

[(4)](3) this subchapter;

by the State may be used only to supplement, not to supplant, the amount of Federal, State, and local funds expended for the support of the activities for which such funds are received.

(b) EXISTING FACILITIES.—No financial assistance provided under the provisions of law specified in subsection (a) may be expended to renovate or repair any facility unless—

(1) the child care provider that receives such financial assistance agrees—

(A) in the case of a grant, to repay to the Secretary or the State, as the case may be, the amount that bears the same ratio to the amount of such grant as the value of the renovation or repair, as of the date such provider ceases to provide child care services in such facility in accordance with this subchapter, bears to the original value of the renovation or repair; and

(B) in the case of a loan, to repay immediately to the Secretary or the State, as the case may be, the principal amount of such loan outstanding and any interest accrued, as of the date such provider ceases to provide child care services in such facility in accordance with this subchapter;

if such provider does not provide child care services in such facility in accordance with this subchapter throughout the useful life of the renovation or repair; and

(2) if such provider is a sectarian agency or organization, the renovation or repair is necessary to bring such facility into compliance with health and safety requirements imposed as a result of such provisions of law.

SEC. 659M. LIMITATION ON STATE ELIGIBILITY TO RECEIVE FUNDS.

Notwithstanding any other provision of this subchapter, a State is eligible to receive funds under this subchapter for a fiscal year only if such State receives for such fiscal year funds under—

(1) title VIII of the Elementary and Secondary Education Act of 1965; or

(2) **[***the Child Care Services For Infants, Toddlers, And Young Children Act***]** **subtitle B of title XX of the Social Security Act.**

SEC. 659N. FEDERAL ENFORCEMENT.

(a) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor State compliance with this subchapter and the plan approved under section 659E for the State.

(b) NONCOMPLIANCE.—

(1) IN GENERAL.—If the Secretary, after reasonable notice and opportunity for a hearing to a State, finds that—

(A) there has been a failure by the State to comply substantially with any provision or any requirements set forth in the plan approved under section 659E for the State; or

(B) in the operation of any program or project for which assistance is provided under this subchapter there is a failure by the State to comply substantially with any provision of this subchapter;

the Secretary shall notify the State of the finding and that no further payments may be made to such State under this subchapter (or, in the case of noncompliance in the operation of program or activity, that no further payments to the State will be made with respect to such program or activity) until the Secretary is satisfied that there

is no longer any such failure to comply or that the noncompliance will be promptly corrected.

(2) ADDITIONAL SANCTIONS.—In the case of a finding of noncompliance made pursuant to this paragraph (1), the Secretary may, in addition to imposing the sanctions described in such paragraph, impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this subchapter, and disqualification from the receipt of financial assistance under this subchapter.

(3) NOTICE.—The notice required under paragraph (1) shall include a specific identification of any additional sanction being imposed under paragraph (2).

(c) ISSUANCE OF RULES.—The Secretary shall establish by rule procedures for—

(1) receiving, processing, and determining the validity of complaints concerning any failure of a State to comply with the State plan or any requirement of this subchapter; and

(2) imposing sanctions under this section.

SEC. 6590. APPLICABILITY OF PROVISIONS OF THE HEAD START ACT.

Sections 654, 655, and 656 of the Head Start Act (42 U.S.C. 9849–9851) shall apply with respect to this subchapter to the same extent and in the same manner as such sections apply with respect to such Act. No individual or entity receiving financial assistance under this subchapter shall engage in any sectarian activity, including sectarian worship and instruction, in the program for which such assistance is received.

SEC. 659P. DEFINITIONS.

As used in this subchapter:

(1) CENTER-BASED CHILD CARE PROVIDER.—The term "center-based child care provider" means a child care provider that provides child care services in a nonresidential facility, and may include a nonprofit institution of higher education.

(2) COMMITTEE.—The term "committee" means the State committee on child care licensing established under section 659G.

(3) COMMUNITY-BASED ORGANIZATION.—The term "community-based organization"—

(A) means a private nonprofit organization that—

(i) is representative of the community or of significant segments of the community; and

(ii) provides child care, preschool programs, or early childhood development programs; or

(B) has the meaning given it in section 4(5) of the Job Training Partnership Act (29 U.S.C. 1503(5)).

(4) COUNCIL.—The term "council" means a local child development council established under section 659F(a).

(5) DISABILITY.—The term "disability" means any condition set forth in section 602(a)(1) of the Education of the Handicapped Act (20 U.S.C. 1401(a)(1)) or subparagraph (A) or (B) of section 672(1) of the Education of the Handicapped Act (20 U.S.C. 1472(1)).

(6) EARLY CHILDHOOD LEARNING RESOURCES.—The term "early childhood learning resources" includes books, audio and video tapes, films, educational toys and games and other materials

designed principally for use by or with children who are less than 6 years of age.

(7) ELIGIBLE CHILD CARE PROVIDER.—The term "eligible child care provider" means—

(A) a center-based child care provider, a group home child care provider, a family child care provider, or other provider of child care services for compensation that—

(i) is licensed or regulated under State law;

(ii) satisfies—

(I) the Federal requirements, except as provided in clause (iii); and

(II) the State and local requirements; applicable to the child care services it provides; and

(iii) after the expiration of the [*4-*] *3-year period beginning on the date of the enactment of the Early Childhood Education and Development Act of 1989, complies with the minimum child care standards established by the State under section* [*658F(a) of the Child Care Services For Infants, Toddlers, And Young Children Act*] **section 2012(c) of the Social Security Act** *that are applicable to the child care services it provides; or*

(B) a child care provider who provides child care services only to an eligible child who is, by affinity or consanguinity, the grandchild of such provider if such provider satisfies the State requirements (if any) applicable to such services.

(8) FAMILY CHILD CARE PROVIDER.—The term "family child care provider" means 1 individual who provides child care services to any eligible child who does not reside with such individual, as the sole caregiver and in the private residence of such individual.

(9) INDIAN TRIBE.—The term "Indian tribe" has the meaning given it in section 4(e) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(e)).

(10) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" has the meaning given such term in section 481(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1)), except that with respect to a tribally controlled community college such term has the meaning given it in section 2(a)(5) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801(a)(5)).

(11) LEAD AGENCY.—The term "lead agency" means the agency designated under section 659D.

(12) LOCAL EDUCATIONAL AGENCY.—The term "local educational agency" has the meaning given that term in section 1471(12) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 2891(12)).

(13) Public library.—The term "local public library" has the meaning given that term in section 3(5) of the Library Services and Construction Act.

(14) NONPROFIT ORGANIZATION.—The term "nonprofit organization" includes an Indian tribe and a tribal organization.

(15) NON-ENGLISH LANGUAGE BACKGROUND.—The term "non-English language background" means the experience of living in a home in which the primary language spoken is not English.

(16) PARENT.—The term "parent" includes a legal guardian or other person standing in loco parentis.

(17) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.

(18) STAFF.—The term "staff" means an individual who provides a service directly to an eligible child on a person-to-person basis.

(19) STATE.—The term "State" means any of the several States, the District of Columbia, the Virgin Islands of the United States, the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

(20) STATE LIBRARY ADMINISTRATIVE AGENCY.—The term "State library administrative agency" has the meaning given that term in section 3(10) of the Library Services and Construction Act.

(21) TRIBAL ORGANIZATION.—The term "tribal organization" has the meaning given it in section 4(1) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(1)).

(22) UNIT OF GENERAL PURPOSE LOCAL GOVERNMENT.—The term "unit of general purpose local government" means a city, county, town, parish, village, or other general purpose political subdivision of a State.

Subchapter [*E*] D—Follow Through Programs

SHORT TITLE

SEC. 661. This subchapter may be cited as the "Follow Through Act".

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Subchapter [*F*] E—Grants to States for Planning and Development of Dependent Care Programs and for Other Purposes

AUTHORIZATION OF APPROPRIATIONS

SEC. 670A. For the purpose of making allotments to States to carry out the activities described in section 670D, there is authorized to be appropriated $20,000,000 for each of the fiscal years 1987, 1988, 1989, and 1990.

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Subchapter [*G*] F—Comprehensive Child Development Program

SHORT TITLE

SEC. 670M. This subchapter may be cited as the "Comprehensive Child Development Act".

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ADDITIONAL VIEWS OF MR. SCHULZE

There are several points that I believe need to brought to the attentyion of the public about the child care legislation as passed out of committee.

Tax Credit Are Not Fiscally Irresponsible

While I agree with most of the opinions expressed in the Ways and Means minority views on committee action on H.R. 3, I am not in complete agreement with the view that tax credit proposals costing up to $5 billion are fiscally irresponsible. Low and middle-income families desperately need reductions in their income tax liability. In 1950, families were taxed at a rate which amounted to 2 percent of their family income. Today, those same families would pay up to 24 percent of their income to the Federal Government.

Limiting the Dependent Care Tax Credit

The Federal Government currently spends $4 billion on child care through the dependent care tax credit. Less than 20 percent of the money goes to families with income below $15,000; in contrast, nearly 40 percent goes to families with income over $30,000. Even more surprising, families with incomes above $75,000 receive almost as much from the credit as families with incomes under $10,000.

The dependent care tax credit also discriminates against spouses who choose to stay home. In order to be eligible for the credit, both parents in two-parent families must work. Despite the fact that families with only one parent working have significantly lower incomes, single income families are not able to receive the credit.

Joint Tax Cost Estimates

Several child care proposals, including my own were hindered by the failure of the Joint Committee on Taxation [JCT] to produce accurate and timely cost estimates. On several occasions, JCT delivered not only late but incorrect cost estimates of my child care legislation.

Recommendations for an Open Rule

Because of the inaccurate and untimely work of Joint Committee on Taxation, I requested the chairman to recommend a modified open rule to afford others and myself the opportunity to offer amendments to the child care portion of the Ways and Means budget recommendations on the floor.

Richard T. Schulze.

DISSENTING VIEWS OF HON. BILL ARCHER, HON. GUY VANDER JAGT, HON. PHILIP CRANE, HON. BILL FRENZEL, HON DICK SCHULZE, HON. WILLIAM THOMAS, HON. HANK BROWN, HON. ROD CHANDLER, HON. E. CLAY SHAW, HON. DON SUNDQUIST, AND HON. NANCY JOHNSON

While most Republican Members of the Committee indeed are willing to provide additional federal support for child care, as evidenced by alternatives a number of our Members have put forward in Committee and in the full House of Representatives, we have serious objections to the provisions, adopted by the Committee in H.R. 3. Those objections relate to the five principal concerns we have about the Committee's product.

Fiscal irresponsibility.—Despite the grave problems posed to the nation's economy by continued budget deficits, the Ways and Means Committee action masks the true costs of H.R. 3 by calling for only token expenditures in FY 1990 and then exploding to nearly $5 billion by 1994. Under the terms of the Gramm-Rudman-Holling law, the deficit is supposed to be zero in 1993. By passing these amendments, the Committee is adding a minimum $5 billion annually to the spending which we must accommodate in this budget. Our actions this year will affect budget deliberations for years to come.

Regulations.—All states currently have regulations that apply to child care centers, and all but four states have regulations that apply to family day care homes. The Ways and Means Committee has decided that these state regulations are not adequate and that states should therefore be required to strengthen them. That determination was made in spite of the fact that the record of witnesses before our Committee contains little systematic evidence that children in day care are at risk for injuries, abuse, or other conditions that would be addressed by regulations.

Similarly, the record contains no evidence showing that strengthening regulations would have positive effects on children's development. We heard a number of anecdotes regarding children in bad day care programs, but anecdotes alone are not an adequate basis for formulating national policy. Nor are they a valid basis for federal interference in policy decisions already made, as they should be, by parents and state and local governments.

Denigration of State child care standards.—The Committee bill contains a provisions that would cut off Title XX funding to any state that reduces its day care standards—even if the revised standards still met all the other requirements of the Committee bill. If, for example, the state which the highest standards in the nation on staff-child ratios wanted to reduce the ratios to allow more children to be cared for, the state would be in danger of

losing its Title XX funds—even if its revised ratios were still the highest in the nation.

We disagree with the Committee's proposal to interfere in state and local regulations of child care, but this provisions on denigration of standards goes beyond all boundaries of reason.

Spending in fiscal year 1990.—In its initial markup for Budget Reconciliation, the Committee approved new spending of $1.8 billion in the Title XX (Social Services Block Grant) program for fiscal years 1991–1994. Subsequently, the Committee approved another $1.5 billion increase in the Title XX program, this time earmarking the money for expenditures on child care.

Then, because the Committee anticipates a confrontation between its child care provisions and those passed by the Education and Labor Committee (and because the Education and Labor Committee bill authorizes some spending for FY 1990) the Committee approved yet another $200 million in title XX spending for FY 1990.

When asked how the Committee planned to pay for this new spending, we were told that there is $200 million which *might* be available for child care elsewhere in the budget. It must be noted, however, that this money is not necessarily going to be used for child care and that it may in fact already have been used for other purposes. We object to the $200 million in additional spending during a year when the Congress appears nearly certain to be over its Gramm-Rudman-Hollings deficit target—especially when such expenditures are based on phantom funding sources.

Consideration of alternatives.—We believe it is imperative that the House of Representatives have an opportunity to consider alternatives to the provisions of H.R. 3 (particularly those involving the Title XX program) which have resulted from the somewhat confusing legislative "competition" between the Ways and Means Committee and the Education and Labor Committee.

Given the interest in day care across the nation, it simply makes good sense to be as certain as we can that the basic policy and funding commitments made by H.R. 3 are in fact necessary and appropriate before we embark on such a costly program expansion.

In our opinion, that assurance is woefully lacking in H.R. 3—reason in and of itself for the House to carefully examine our alternatives which were accorded far too little attention in the Committee process.

BILL ARCHER.
GUY VANDER JAGT.
PHIL CRANE.
BILL FRENZEL.
DICK SCHULZE.
BILL THOMAS.
HANK BROWN.
ROD CHANDLER.
E. CLAY SHAW, Jr.
DON SUNDQUIST.
NANCY JOHNSON.

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